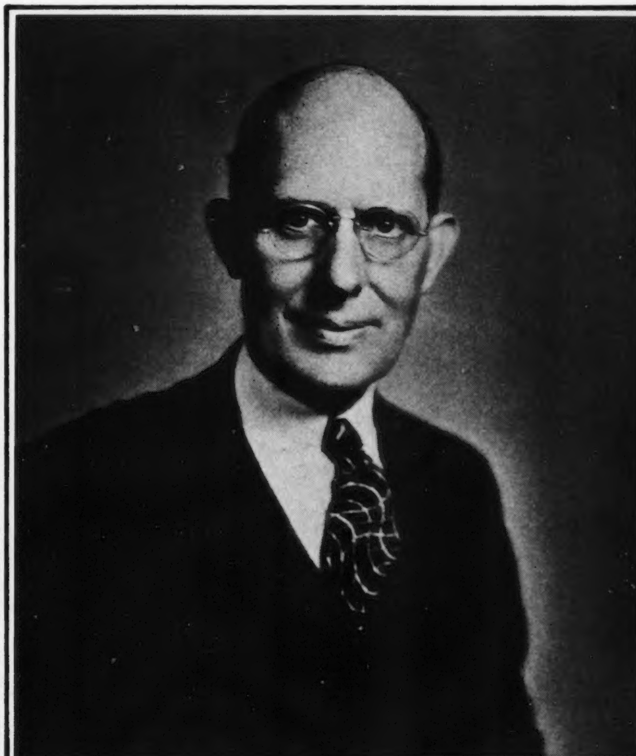
BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

Reasonably Dissatisfied



PAGE ONE

MARCH 1936

David Lawrence discusses GOVERNMENT BANKING'S PROGENY

PUBLISHED IN TWO SECTIONS SECTION ONE

BLANK-STOLLER

Charles F. Kettering

Reasonably Dissatisfied

"I HAVE been accused of making the statement that industrial research is for the sole and only purpose of keeping our customers reasonably dissatisfied with what they have. We say that a satisfied customer is the greatest advertisement a concern can have, and that is true if he doesn't remain an advertisement too long. Another way of looking at research is this very human way of looking at it, and that is to find out what you are going to do when you can't keep on doing what you are doing now; and perhaps that one would apply to banking more nearly than the first one, because you have a very indefinite product to sell. You have service, and service is a very indefinite thing. You are doing something for the people that they recognize as a commodity, but they can't evaluate it on a unit basis. Therefore, the cheerful 'How-do-you-do?' and 'Goodbye' are a very essential thing in your business."—CHARLES F. KETTERING, General Motors Corporation's Vice-President in Charge of Research, to the New York State Bankers Association.

PAGE ONE

BANKING

Federal Reserve Experience

The new Board of Governors of the Federal Reserve System is not to be without the voice of experience. Of the retiring members of the old Board, Charles S. Hamlin and Adolph C. Miller, who have been members thereof since the System was founded, are to be retained in advisory capacities, the former as the Board's special counsel and the latter as an adviser, for the time being, specially in charge of the construction of the new Federal Reserve building in Washington. J. J. Thomas, also a retiring member, will be the new chairman and Federal Reserve Agent of the Kansas City Reserve Bank. All this is quite to the good. If ever the Reserve System needed experience in its councils it will be in the solution of credit control and other portentous and difficult problems of the immediate future.

Interest Rate Regulations

When the Federal Deposit Insurance Corporation's maximum interest rate regulations, affecting about 7,800 insured banks which are not members of the Federal Reserve System, went into effect February 1, similar regulations of the Federal Reserve Board were suspended until new regulations could be worked out which would not conflict with those of the F.D.I.C.

Bank Deposit Study

The Reserve Board has launched a study of the movement of bank deposits in the country which will include an analysis of large deposit accounts, $100,000 and over, and will attempt to classify the deposits by types of business in an effort to interpret recent monetary developments and discover, if possible, the volume of money available for investment.

Interest

Interest rates charged customers by the banks of the country average forty-three hundredths of one per cent lower than for the corresponding period a year ago. The downward tendency has slowed up somewhat, but banks whose portfolios on the whole earn an income of no more than 1 per cent below last year's average seem to be doing rather well.

Trust Funds

The legislatures of Pennsylvania, South Carolina, Tennessee and Arizona have passed laws making insured savings and loan shares legal investments for trust funds. New York, Ohio and California have acts giving shares in the insured Federal Savings and Loan associations the same standing. On an average such shares pay more than 3½ per cent annually.

Investment Bankers' Regional Meetings

Orrin G. Wood, president of the Investment Bankers Association of America, accompanied by Alden H. Little, executive vice-president, will visit regional groups of the Association during March in an extensive tour of the West and South. The meetings are scheduled as follows: March 3, San Antonio, Texas; March 4, Houston, Texas; March 5, New Orleans; March 6, Atlanta, Georgia; March 7, Augusta, Georgia.

Reserves

The announced intention of the Treasury to maintain its deposits in the Federal Reserve banks hereafter at a minimum of $500,000,000 means that the excess reserves of member banks will be reduced by the amount such deposits in the Reserve banks exceed what the Treasury actually needs and has been keeping there. The significant fact

(CONTINUED ON PAGE 5)

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FROM THE GROUND UP

This is the site of the new Federal Reserve Building in Washington, where workmen are now clearing ground preparatory to construction.

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An extensive literature has been written about the Federal Reserve System, embracing its origin, evolution and policies. Following is a partial bibliography for the assistance of readers who may be interested in tracing the evolution of the System:

THE DISCOUNT POLICY OF THE FEDERAL RESERVE SYSTEM, B. H. Beckhart. (Henry Holt, 1924); THE RESERVE BANKS AND THE MONEY MARKET, W. Randolph Burgess. (Harper, 1927); FISCAL FUNCTIONS OF THE FEDERAL RESERVE BANKS, John M. Chapman. (Ronald Press, 1923); THE OPERATION OF THE NEW BANK ACT, Thomas Conway and E. M. Patterson. (Lippincott, 1914); AN ADVENTURE IN CONSTRUCTIVE FINANCE, Carter Glass. (Doubleday Page, 1927); FEDERAL RESERVE SYSTEM IN OPERATION, E. A. Goldenweiser. (McGraw-Hill, 1925); THE FORMATIVE PERIOD OF THE FEDERAL RESERVE SYSTEM, W. P. G. Harding. (Houghton Mifflin, 1925); CREDIT POLICIES OF THE FEDERAL RESERVE SYSTEM, Charles O. Hardy. (Brookings Institution, 1932); CENTRAL BANKING UNDER THE FEDERAL RESERVE SYSTEM, Lawrence E. Clark. (Macmillan, 1935); THE A. B. C. OF THE FEDERAL RESERVE SYSTEM, E. W. Kemmerer. (Princeton University Press, 1929. 8th edition); THE FEDERAL RESERVE ACT: ITS ORIGIN AND PROBLEMS, J. Laurence Laughlin. (Macmillan, 1933); THE FEDERAL RESERVE ACT, Robert L. Owen. (Century, 1919); FEDERAL RESERVE POLICY, 1921–1930, Harold L. Reed. (Houghton Mifflin, 1930); THE FEDERAL RESERVE SYSTEM, Paul M. Warburg. (Macmillan, 1930); THE FEDERAL RESERVE BOARD, William O. Weyforth. (Johns Hopkins Press, 1933); THE FEDERAL RESERVE, H. Parker Willis. (Doubleday Page, 1915); THE FEDERAL RESERVE SYSTEM, H. Parker Willis. (Ronald Press, 1923).

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Even the Issuer Doesn't Know

INVESTING funds in bonds must always entail a degree of speculation. One thing alone is certain: *Maintaining income and protecting principal depend on the adequacy, accuracy and timeliness of the facts on which investment decisions are made and reviewed.*

But—knowing all the facts and interpreting their effect on your bank's investments is more than a one-man job. Merely to keep abreast of the ever-changing picture in specific issues and particular fields of investment is itself a full-time task. To fit these facts into the background of world, political, economic and monetary movements multiplies a hundred-fold the difficulty of maintaining a successful investment record.

Thus, many banks employ Moody's Supervisory Service because they realize that the chances of investment mistakes are inevitably fewer when investment problems are subjected to the study of a group of investment specialists. To banks, this service will bring not only the day-by-day watchfulness of Moody's staff but also a personal counsellor to fit the findings of Moody's staff to your investment needs.

Let us show you and your directors how really helpful yet inexpensive Moody's Supervisory Service will be to your bank. There's no obligation, of course.

MOODY'S INVESTORS SERVICE

JOHN MOODY, *President*

65 BROADWAY, NEW YORK CITY   105 WEST ADAMS ST., CHICAGO

(CONTINUED FROM PAGE 1)

about the policy, however, is that $500,000,000 in deposits can be thus handed around without any appreciable effect on the credit situation.

BUSINESS

Trade Agreements

The United States-Honduras trade agreement, effective March 2, is the ninth trade pact to go into force. The Honduran treaty was signed on December 18, 1935, and proclaimed by President Roosevelt on February 1, 1936.

It is expected the next treaty to become effective will be the pact with Colombia, which was signed last September 13, and has been awaiting ratification. Negotiations with France may be speeded so that a trade agreement can be reached by April 1, when the most-favored-nation arrangement with the United States expires. The original expiration date was March 1, but a 30-day extension of the reciprocal trade duties on the products of France and her colonies was agreed to by the United States.

Free Trade Zone

The United States is establishing its first free foreign trade zone, as provided for by the Foreign Trade Zones Board, of which Secretary Roper is chairman. New York City has been granted the right to form, operate and maintain a free trade area at Stapleton, Staten Island, for the transshipment of goods to and from foreign countries. The zone is expected to facilitate the handling of foreign goods, not for domestic consumption, and to eliminate cumbersome customs restrictions and supervision.

According to the provisions, construction of the project had to be started by March 1 and completed within nine months, although it is expected that by late Spring or early Summer the zone will be available for limited operation. As estimated, the entire development will cost around $5,000,000 and will cover a total area of about 78 acres, including about 18 acres of land.

San Francisco and Mobile have also applied to the Department of Commerce for the right to establish free-trade zones. Commerce officials feel that a San Francisco zone would obtain for American ships a larger part of the rapidly increasing Japanese trade with Central and South America, and would enable American companies to check the kinds and prices of merchandise Japan is exporting.

Trade Gains

Department store executives predict an advance of 5 to 10 per cent in sales for the first half of the current year as compared with the same period of 1935.

THE WEATHER

Unusually cold weather throughout the country has threatened grain and fruit crops in many localities. Below, in the New York office of the Weather Bureau Dr. James H. Kimball checks one of the Government instruments, a meteorgraph

INTERNATIONAL

Railroad Retirement

With the Railroad Retirement Act effective March 1, the roads face a draft of approximately $45,000,000 upon their earnings for the ten months of the current year to which the tax applies. Taxes on this year's payrolls to be applied to the Government's unemployment insurance scheme will take another $16,000,000 or so. It might be well if some sort of an unemployment scheme could be applied to the railways themselves.

Rails

If the trains of the United States were as slow in getting under way as is the railway merger and coordination scheme long favored by the Government it could readily be understood why competition from other means of transportation has hit the rails so hard. But trains today are faster and more luxurious than ever, and perhaps their example has finally led to the merger of railway terminal and station facilities in various parts of the country which the Coordinator of Transportation is now undertaking as the first step in reducing costs of operation of the common carriers.

How far this coordination will go in the next few months and how much the savings will be to the roads is somewhat uncertain, but Coordinator Eastman estimates that they can save $50,000,000 annually by combining terminal facilities. If the roads are willing to undertake the task Government force will be applied no further; otherwise the Government proposes to come down hard on the railway managements and to take more drastic steps to accomplish what each company wishes for every other line than its own.

Coordination

Meanwhile the railways are in for a considerable amount of coordination whether they are willing or not—that is, provided the coordinating power of the Coordinator is extended beyond June 16 next when it will otherwise expire. Coordinator Eastman wants five years more of authority, stating that the surveys and investigations which have been going on for nearly three years as the basis for Government action to improve the service and finances of the railways are now practically complete and the Government is in a position to act intelligently in this field provided the railways persist in refusing to act voluntarily.

Railways say they can take the neces-

(CONTINUED ON PAGE 9)

THRILLERS

A LIBRARY OF ADVENTURE. The record of thirty-five years of General Electric research — 2500 volumes in which G-E scientists have, day by day, recorded thousands of epochal experiments. A two-hundred-foot shelf of books athrill with the romance of human progress—answers to nature's riddles—the discovery of hidden treasure. They contain the story of some of the greatest achievements of the century.

Here are the steps in the development of the tungsten lamp and the marvel of modern lighting—of the Coolidge x-ray tube and a new weapon against disease—of the high-vacuum tube and the miracle of radio—new tools for industry—copper brazing, atomic-hydrogen welding, Carboloy. Here is a rich and increasing treasure of fundamental knowledge, uncovered by G-E scientists—a reservoir on which the future will draw for ever-new developments.

These records of scientific adventure are also guidebooks to the creation of wealth, the founding of new industries, the employment of new thousands of people—the results of G-E research that has saved the public from ten to a hundred dollars for every dollar it has earned for General Electric.

96-198H

GENERAL ELECTRIC

(CONTINUED FROM PAGE 6)

sary action themselves and can do a better job of it on their own authority than can be done by the Government. But they have not done so and it is not at all certain they will do so, unless prodded by the Federal authorities. Reorganization plans continue slow if not immovable, although it appears that a revamping of Western Pacific's financial structure has been agreed upon, involving a reduction of the road's fixed charge obligations by practically a third, substituting therefor common stock without par value, and employing $10,000,000 of new money to be furnished by the R.F.C. on a 4 per cent basis. There will be few if any reorganizations without the aid of Jesse Jones' establishment.

Refunding

However loath the railways may be to combine their physical properties in the interest of economy, there is no question about their desire to reduce fixed charges by refunding operations. Despite the disposition of some railway securities to lag in the upward movement of the bond market there seems to be general agreement among the roads that the time has arrived when refunding on a considerable scale is easy. Approximately $475,000,000 of railway bonds mature during the course of the current year, exclusive of R.F.C., short term and emergency loans. No difficulty is anticipated for any of the solvent roads to refund at satisfactory rates.

Recent successful financing by the Pennsylvania of $40,000,000 at 3.95 per cent and Maine Central of $8,718,500 at 4 per cent started the movement. Roads which are reported as preparing to take advantage of the present money market include the New York Central, the Virginian, the Delaware and Hudson and the Illinois Central. The New York Central is reported as optimistic with respect to its ability to fund into long term obligations some $65,474,000 of short term bank loans now outstanding and subject to call. The Virginian proposes to sell approximately $60,000,000 in 3½ or 4 per cent bonds about May 1 to refund about that amount in 5 and 4½ per cent securities due at that time. It seems to be agreed that all roads with a first class rating can refund at around 4 per cent or even better.

Railroad Service

Most of the eastern railroads have joined the Pennsylvania in its new plan, beginning April 1, to render a complete door-to-door transportation service for less-than-carload freight between all points in the system, regardless of distance, at no additional cost above the regular station-to-station freight rates. The extra charges now made for truck pick-up and delivery on shipments moving distances beyond 260 miles will be eliminated. The free collection and delivery of less-than-carload freight is

TAXES, SOLDIERS' BONUS, DEFICITS, ETC.

By March 16 Federal income tax returns will be filed and initial payments, at least, will be made. As of that date, also, the Treasury will start to seek $11,500,000,000 for refunding and new expenditures during the ensuing 15 months. Below, Government engravers at work on the bonus bonds

HARRIS & EWING

hailed by railroad officials as an important move toward winning back to the rail lines a large volume of freight now being transported over the longer distances by motor bus.

Freight Rate Surcharges

The Interstate Commerce Commission has set March 4 for hearing on an application by Class 1 railroads to continue indefinitely the emergency freight rate increases, effective last April and scheduled to expire June 30, 1936. It was estimated that the surcharges, which affect many commodities other than agricultural and which exempt short hauls of less-than-carload freight, would produce $85,000,000 additional revenue annually.

In applying for the extension of the surcharge rate, the railroads said they could not afford to lose this additional revenue at the present time because of increased operating expenses due to full restoration of railway basic wages, higher cost of supplies, the Railroad Retirement Act, and the additional expense burden of the Social Security Act.

It is expected that several state commissioners will attend the hearing on March 4, which will also decide whether water carriers, subject to the Interstate Commerce Act, shall be permitted to continue the emergency rates.

Aviation

At a conference on February 8 between officials of the Civil Aeronautics Bureau of the United States Department of Commerce and the German Air Navigation Ministry, plans were laid for a transatlantic air line service between the United States and Germany which, it is expected, will link New York and Berlin, either by the northern route, already selected for the service to Great Britain, or the Azores route. Pan-American Airways will be the American operator of the service, and, as in the agreement between Great Britain and the United States, there will be experimental flights before the inauguration of the regular service.

Residences

Current estimates of the construction of 175,000 residential units in cities of 10,000 population or over during the current year are considered reasonable by the trade. The number constructed last year was 80,000, the greater part in the latter half of the year. The unusual activity this Winter is counted as a forecast of the best year in this line since 1930.

GOVERNMENT

Renewals or Rejections

Some of the extraordinary powers given by Congress to various Government agencies in the course of the recovery campaign will soon lapse if not renewed.

The insurance of loans for the modernization and repair of homes will lapse April 1 unless Congress renews the powers of the Housing Administration. The Home Loan banks, under the amended Home Loan Bank Act, can make advances to their members for unsecured home loans of this sort, but this power expires July 1 unless renewed. Under the terms of the Transportation Coordination Act the office of Coordinator of Transportation will vanish on June 16 unless the Coordinator gets a new lease on life.

The late N.I.R.A. is recalled by the fact that allotments of money for recovery purposes under it, such as that for the Electric Home and Farm Authority, will no longer be available after March 31 since the whole act would then expire by limitation even if its weakening thread of life had not been snapped by the Supreme Court.

A failure to renew powers in such cases may not necessarily mean a rejection of the policy which brought them into existence, for some of them may have served their generation well, but in other cases failure to renew means a rejection of emergency policies.

Former N.R.A. Agencies

When the National Recovery Administration was officially dissolved on January 1, four remaining agencies were transferred to the Commerce and Labor departments until the end of the periods set by previous orders. The three agencies transferred to the Department of Commerce—the Division of Review, the Division of Business Cooperation and the Advisory Council—are to continue only until April 1, when they will be abolished by official order. The Consumers' Division, shifted to the Labor Department, continues until June 30, 1937.

Bonus

It required only one hasty glance by the Treasury and the Veterans' Administration to realize that it would be physically impossible to prepare and distribute the soldier bonus bonds by June 15, the date fixed in the payment act. Present indications are that it will be at least July 1 before the bonds can be prepared, much less distributed, and it will be well into the Summer before the Treasury will be called upon to furnish the cash with which these bonds will be, for the most part, promptly redeemed.

This postpones all claims on this account to the next fiscal year, but the Treasury certainly needs all the time it can get to plan the necessary financing. Incidentally this distribution of Government largess involves the issue of 28,000,000 bonds and it will cost $12,178,375 merely to prepare and distribute them. The total cost so far calculated amounts to $2,249,178,375, but this does not include claims to be presented by veterans who have so far not taken out adjusted service certificates. Whatever stimulation trade will receive from the expenditure of this sum will not come before mid-Summer. However, it will be registered before the election in November.

H.O.L.C.

The $49,736,000 Home Owners' Loan Corporation, 1.5 per cent bonds which the corporation proposes to redeem in cash on August 15 is the first issue to become due of those fully guaranteed by the Government. It is the first of the

(Continued on page 66)

BANKING
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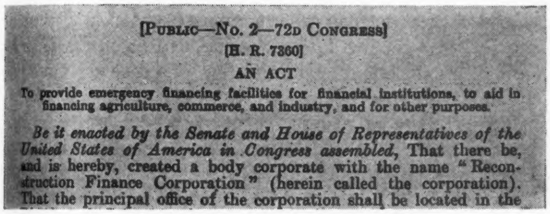
MARCH 1936

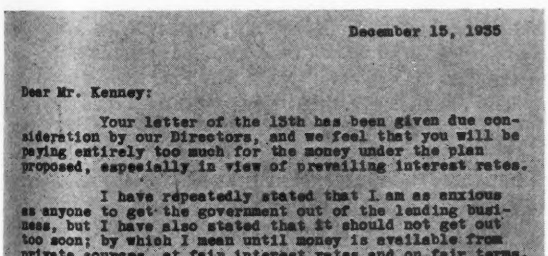
Government Banking's Progeny

By DAVID LAWRENCE
Editor, *The United States News*


[PUBLIC—No. 2—72D CONGRESS]
[H. R. 7360]
AN ACT
To provide emergency financing facilities for financial institutions, to aid in financing agriculture, commerce, and industry, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That there be, and is hereby, created a body corporate with the name "Reconstruction Finance Corporation" (herein called the corporation). That the principal office of the corporation shall be located in the

"To provide emergency financing facilities . . ."


December 15, 1935

Dear Mr. Kenney:

Your letter of the 13th has been given due consideration by our Directors, and we feel that you will be paying entirely too much for the money under the plan proposed, especially in view of prevailing interest rates.

I have repeatedly stated that I am as anxious as anyone to get the government out of the lending business, but I have also stated that it should not get out too soon; by which I mean until money is available from private sources, at fair interest rates and on fair terms.

". . . you will be paying entirely too much . . ." From a recent letter from the R.F.C. to the Great Northern Railroad

"There is little doubt," says the author of the accompanying article, "but that a 4½ per cent interest rate could have been obtained from private underwriters for the Great Northern bonds if there had existed enough private capital to take the risk or if private banks had been permitted by law to do underwriting.

If the huge amount of excess reserves in the banks is really to be utilized as a basis for intermediate credit or as an auxiliary to the capital market, there must be some clarifying amendments to the Securities Act of 1933 and perhaps even some amendments to the Banking Act of 1935 to permit a modified form of bank underwriting, safeguarded against abuse."

JUST three years have passed since the fateful bank holiday which, like other episodes of severe depression in our history, left in its wake a series of legislative enactments designed to protect the people against a recurrence of catastrophe.

Since the human factor is incalculable, the cynic might remark that the present corrective legislation may well last till the next depression. But there can be no denying that in a democracy like ours the very existence of psychological curbs against panicky outbursts is far more important than actual test at a later day.

Out of the period of emergency certain lessons have been learned, certain experiences have been encountered which leave their indelible impress on our economic life.

If, therefore, the Federal function in relation to the merchandising of credit, at wholesale or retail, seems somewhat undefined, it is not because inside or outside of government there has been any lack of discussion or study but because the transition from the emergency to the so-called normal stage cannot be a matter of rigid formula. It must be a gradual evolution.

We who are alive today will probably never live to see the complete emergence of the Government from the business of lending. But we shall see the gradual liquidation of those governmental operations which were established in fields that can and should be occupied by the private banking institutions of the country, subject as they are nowadays to the most minute regulation and supervision.

It seems to me that the Government is ready to retire from the banking business but its withdrawal is delayed for two reasons. One is the uncertainty that the private banks will be able to take over and perform services undertaken by the Government lending agencies at similar interest rates, and the other is the lingering desire to keep certain controls that are the vitamins of bureaucratic appetite.

To put it another way, granted that the banks are able to do most of the things the Government lending agencies are doing, the job of persuading the Government to let go of

anything it once wraps its tentacles around is one that is easier described than accomplished.

Progress can be made, however, toward the goal by emphasis on principles rather than on specific items of lending.

It will be agreed inside the Government as well as outside that:

1. Government shall not lend money in competition with private banking institutions.

2. Government shall lend in times of emergencies wherever adequate banking service is unavailable or impaired.

The problem of what does or does not constitute "competition", what is or is not "adequate" banking service permits of varying definition depending upon whether you are sitting behind a Government desk listening to the persistent clamor of Senators or Congressmen to have you do things you know are unsound, because nobody else in the banking business will do them, or whether you are in the audience of a bankers' association listening to a Government official who urges you to make loans which only the Government with its vast resources can afford to insure or directly grant.

As a practical matter, government does step in during great emergencies and assume functions which are properly that of private business. We may dislike such intrusion into the domain of private initiative but we cannot overlook the fact that banking service has become "affected with a public interest" under direct constitutional powers and that when confidence is lost, as it was in 1933, it is only the Government itself which can restore that confidence to depositors.

But during the last three years it will be conceded that confidence in the nation's banks has returned to a remarkable degree. It is not important at this time to search out the reasons for the change in national psychology. If anything, the public is today inclined to believe that private banks have become ultra-conservative whilst the Government has embarked upon adventures in credit expansion that suggest in some instances the same reckless disregard of a day of reckoning which private capital indulged in 1928 and 1929.

It is almost axiomatic that lending of private funds, whether to industry in the form of long term securities or to the Government for budget purposes, cannot follow a rule of thumb because governmental policies entirely unconnected with fiscal operations are much more dominant today—for good or for ill—than are such old-fashioned factors as the law of supply and demand, or a possible drought, or even a gold rush in the Klondike.

BEWILDERING PARADOX

EVEN disturbances overseas are plainly the act of governments, democratic or dictatorial, in the age-old struggle for economic equilibrium.

Government, on the one hand, demands that private bankers in America perform their service to the community and stimulate recovery while at the same time government introduces factors so bewildering as to be accepted only by those who again are willing to regard speculation as a necessary attribute of up-to-date finance.

So long as government keeps an iron hand on the capital market, so long as uncertainties prevail about future excise taxes, so long as there are attacks on the judiciary—the only institution which nowadays seems interested in conserving the property of the citizens, their homes, their savings and their earnings—just so long will it be difficult for the private bankers to take over all the functions which a national legislature harassed by organized minorities will wish to include under the broad expanse of the word "credit".

Thus a prediction as to when the Government will retire from the field of banking is inextricably interwoven with forecasts as to the political as well as the social trend of American life today.

In a year of presidential and congressional elections there is bound to be the usual plethora of speeches for the purpose of getting votes. This year, however, the campaign is likely to serve as a corrective influence. For it comes at a time when the statistics of fiscal policy do not make pleasant reading and when the gradual withdrawal of the Government from the realm of unlimited manipulation of public funds—for new or even for the extension of old functions—is slowly being compelled by the tides of adverse criticism.

The White House conferences early in February of this year with the heads of the various lending agencies, cutting of authorizations here and there, are not so much the product of a sudden desire for economy but of a realization at last that some of these self-same lending agencies are Frankensteins which must be conquered now if ever.

The prime-the-pump theory, which included both lending and spending, must of necessity have its test at last. Either the money spent was futile or we are on the verge of normalcy. Certainly the "emergency" of 1932 cannot be used as an excuse in 1936 for further drains on the Treasury. There must be between now and November more and more evidence of economic recovery to suit the voter. The shrewd political managers on both sides know that the presence of relative contentment in the economic sphere is an important factor in vote-getting. Hence we may expect, from the viewpoint of good politics, a diminution of expenses, including lending, if not now then surely after election no matter what the result of the balloting. Everybody who knows anything about arithmetic and the size of the public debt may also expect new taxes to take effect in the year 1937.

THE PRESENT TENDENCY

AS the demand for a sound fiscal policy rises, the Government's lending functions will be progressively curtailed. The Reconstruction Finance Corporation has begun to say "no" more often than it says "yes". The H.O.L.C. is pulling in its loan operations and the prospects are that as the banks organize their service for the housing loans, the Government will gradually retire from that field too.

But while specific services of the lending agencies of government may be diminished, the largest and most important factor in Government competition is the use of Government capital to affect the whole interest rate structure.

What the Reconstruction Finance Corporation did under the leadership of Jesse H. Jones in the now famous case of the Great Northern bond issue affords much food for future contemplation. Mr. Jones insists that the Government, as the spokesman for all the people, must interpose its influence to bring about a general reduction of interest rates. His contention is that if a railroad like the Great Northern had to pay 5 per cent, the other railroads in which the R.F.C. has a financial interest would find it expensive to refinance.

Granted that this gave the R.F.C. a seat at the interest-making table, the question remains whether the interest rates on long term loans are entirely a matter of judgment by investment bankers as to what investors will accept or whether all the elements of market conditions, such as a Government agency does not have to think about as a rule, are decisive influences.

There is little doubt but that a 4½ per cent interest rate

could have been obtained from private underwriters for the Great Northern bonds if there had existed enough private capital to take the risk or if private banks had been permitted by law to do underwriting.

If the huge amount of excess reserves in the banks is really to be utilized as a basis for intermediate credit or as an auxiliary to the capital market, there must be some clarifying amendments to the Securities Act of 1933 and perhaps even some amendments to the Banking Act of 1935 to permit a modified form of bank underwriting, safeguarded against abuse.

The Roosevelt Administration is not likely to make any such recommendations this year, but Congress may be in a mood in 1937 to consider such alterations, especially as by that time experience will have demonstrated the importance of greater flexibility for the capital market.

The Administration's desire to reduce interest rates all along the line can be regarded as an important departure in national policy. In some respects, it is far more important than the actual setting up of new lending agencies. For the R.F.C., operating with Government capital, can effectually control interest rates for long term money as promptly as the new Federal Reserve Board can influence interest rates for short term money. And last but not least, the Government, a borrower of more and more funds for budget needs, can exercise on the whole situation a direct influence.

CENTRALIZATION

PERHAPS at no time in our history did all the Government agencies that could affect private banking head up so completely as they do today in the office of the President of the United States. Whether it is the Federal Reserve Board or the R.F.C. or any of the other lending agencies of the Government with their huge allotments of capital, the President has the final word. Obviously, he will be dependent on the advice of subordinates. Never was it so important that officials surrounding the President should perform the function of liaison between private banking services and Government control of capital. The responsibility will increase as the time comes for extricating the Government from some of its emergency tasks. More than ever will it be necessary for the banking world to establish and maintain the friendliest spirit of cooperation that can be devised. For, in a sense, the Government cannot withdraw unless it is able to say, from a political point of view, either this year or next that the situations which gave rise to a demand for Government intervention have been or will be adequately handled by the private banking institutions of the country.

VALUABLE EXPERIENCE

THE battle of words over credit will continue through the years. It will be admitted that every depression or panic period teaches lessons in the weaknesses of old credit instruments and reveals the strength of new credit devices introduced for special purposes.

The insurance principle was a necessary outgrowth of depression psychology. To restore confidence, Government had to come forward to insure the risk. But diversified risk has always been the basis of credit theory and yet new credit methods are slow to be adopted unless demonstrated experience is available. To the extent that the Government has tilled unplowed ground, the benefits will be transferred to private banks. And to the extent also that other credit risks undertaken by the Government are proving unwise, the sum total of the Government's knowledge, as revealed in Government records, will be helpful to the banks of the country in avoiding those same mistakes.

There is still heard in Washington the cry that somehow, somewhere funds must be provided for the entrepreneur of old. He has brought us out of depressions in the past. Today, it is the corporation and not the individual entrepreneur which can, if soundly organized, absorb a large part of our unemployed. But money for the entrepreneur corporations has come in the past and will come in the future out of the thrift and savings and profits of the citizens who see ahead a chance of gain. Despite all the urge to lend Government funds to industry either through the Federal Reserve banks or the R.F.C. the amount so lent has been relatively small and none of it has gone, directly at least, to the entrepreneur.

Thus it is more reasonable to suppose that absorption of the unemployed will come in the next year or two in large part out of the expansion of old industries or established corporations entering new fields rather than in the development of more small businesses. Whether we like it or not this is the story of modern production and modern credit.

It becomes more than ever im- (CONTINUED ON PAGE 54)

Figures From the Budget Message

By The Associated Press.

WASHINGTON, Jan. 4.—Main figures from President Roosevelt's budget message are:

The government will spend $10,569,000,000 in the year ending next June 30, increasing the public debt by $7,309,000,000 to an all-time high of $29,847,000,000.

The President expects this public debt total will be raised to $31,834,000,000 by June 30, 1935.

Net outlays in the fiscal year 1935, which begins next July 1, are estimated at $5,960,000,000 after deducting $480,436,000 of Reconstruction Finance Corporation repayments.

The government will borrow $10,000,000,000 in the next six months—$6,000,000,000 of new money and $4,000,000,000 to retire maturing obligations.

25 months apart. Two newspaper clippings

PLAN FOR BIG TAX PROGRAM DISCUSSED AT WHITE HOUSE TO OFFSET BUDGET LOSSES

From Emergency to Taxes

"The prime-the-pump theory, which included both lending and spending, must of necessity have its test at last. Either the money spent was futile or we are on the verge of normalcy. Certainly the "emergency" of 1932 cannot be used as an excuse in 1936 for further drains on the Treasury. There must be between now and November more and more evidence of economic recovery to suit the voter. The shrewd political managers on both sides know that the presence of relative contentment in the economic sphere is an important factor in vote-getting. Hence we may expect, from the viewpoint of good politics, a diminution of expenses, including lending, if not now then surely after election no matter what the result of the balloting. Everybody who knows anything about arithmetic and the size of the public debt may also expect new taxes to take effect in the year 1937."

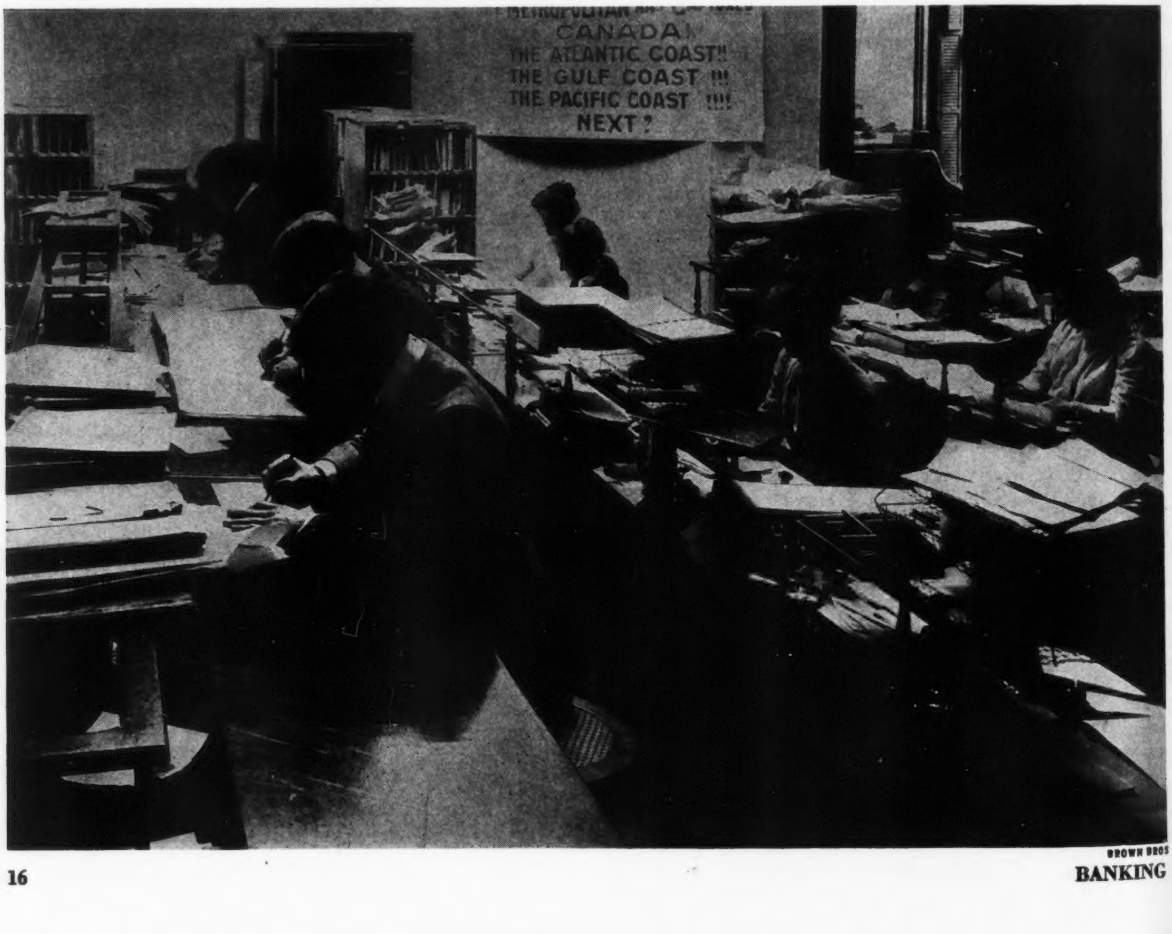
Social Security Forever

UNCERTAINTY hovers about the social security program—uncertainty as to what will be its immediate cost, uncertainty as to how far it will be accepted by the states, uncertainty as to the legality of the scheme in many states, and uncertainty as to the real meaning of many of the provisions of a rather loosely drafted act of Congress. The only certainty about it seems to be that the charge on the Federal Treasury has begun, while at the close of the current year the employers of labor will be called upon to pay a tax upon this year's payrolls.

The immediate charge on the Federal Government will be $42,664,500—approximately $1,000,000 for administration and the rest of the amount for grants. This is much less than the first estimates, but the period for which the appropriation is made is only from February to June and the various parts of the benefit machinery have not yet fully started. Real work on the old age pension and unemployment insurance phases will not commence much, if any, before the beginning of the new fiscal year. The estimated cost to the Government in the next fiscal year is $479,689,840, but it is already known that many of the estimates are far out of line with reality and the cost may be somewhat less or a good deal more.

Preliminary difficulties lie chiefly with state laws. Some had been anticipated, but as the matter is looked into by the Federal authorities it seems quite evident that Congressional legislation was not drafted with due regard for statutory and other requirements in the several states. The result is a very dubious outlook for unemployment insurance. The old age pension aspects of the proposed system are more promising, although the financial phase of this portion of the system involves the eventual accumulation of so large a reserve fund that it is likely to fall by its own weight before the full impact of its provisions on the country can be realized. As a practical matter a reserve fund of $50,000,000,000, which under the law must be invested in direct or guaranteed securities of the Government, cannot be contemplated even in these days of transactions in billions.

The chief immediate difficulty in unemployment insurance is the question of constitutionality of state legislation necessary to make it effective. The Federal legislation contemplates a system of unemployment insurance laws in each state, operating under Federal supervision and some degree of Federal control. Commencing with the current



BROWN BROS

By GEORGE E. ANDERSON

calendar year the Federal Treasury will collect from each employer of eight or more persons—domestic servants, employees in agriculture and public services excepted—a 1 per cent levy on payrolls as an excise tax. The rate for the current year is 1 per cent; that for 1937 is 2 per cent and for 1938 and thereafter, 3 per cent.

The funds so collected are to be used practically to force each state to establish an unemployment insurance system, since the tax thus collected goes into the Federal Treasury subject to action by Congress. If, however, a state establishes an unemployment insurance system approved by the Social Security Board in Washington—and the Board is given fairly wide latitude in the matter—the funds so collected by the Federal Government will be returned to the states in proportion to their contributions, to be paid unemployed workers in accord with the state system. The states are expected to enact laws providing for the taxation of employers and, if they so decide, employees. The state taxes collected are to be paid into an "unemployment trust fund" in the Federal Treasury.

Where taxes are collected from employers by the states the employers may deduct from the Federal tax what they pay the states up to 90 per cent of the tax due under the terms of the Federal legislation. Thus, where states enact legislation calling for 0.9 per cent, the whole can be deducted when the Federal rate is 1 per cent. Where there is a state tax equal to that imposed by the Federal Government, the actual tax on employers will be 1.1 per cent, increasing in that proportion in subsequent years to a maximum of 3.3 per cent.

To encourage the establishment of state systems the Federal Government is to pay each state a bounty from the Treasury to cover the expenses of operating its system. It is an integral part of the whole scheme, however, that taxes collected by the states for this purpose must be turned over to the Treasury for management and care. The Federal Government requires this as an assurance that the state systems will be sound financially and always in a position to meet unemployment demands upon them under their own laws. The requirement also facilitates the Federal cooperation provided for in the act of Congress and, incidentally, gives the Federal Government control of the entire undertaking.

There, however, lies the trouble. The collection of taxes to be turned over to the Federal Government is clearly unconstitutional in many of the states, while in close to half of them it is clearly unconstitutional to impose a tax on payrolls or to meet some other provisions of the Federal act. A recent review of the situation by *Social Security*, a publication of the American Association for Social Security, lists 22 states in which constitutional amendments are said to be clearly necessary to take advantage of the Federal law. These states are Alabama, Arkansas, California, Colorado, Delaware, Idaho, Florida, Kansas, Louisiana, Minnesota, Mississippi, Montana, Missouri, Nevada, North Carolina, South Carolina, Tennessee, Utah, Virginia, West Virginia, Wisconsin and Wyoming. Only seven states are said to be free of inhibitions of this sort. They are Connecticut, Maryland, Michigan, Nebraska, New Hampshire, New York and Vermont. The situation in other states is considered doubtful.

Nevertheless nine states and the District of Columbia have passed unemployment insurance acts, some of them disregarding unconstitutional implications. These state laws provide benefits in cases of unemployment and taxes therefor as follows:

ALABAMA—Fifty per cent of wages with a maximum benefit of $15 a week for 16 weeks after a waiting period of three weeks. Employers' taxes, 1936, 0.9 per cent; employees' tax, 1 per cent.

CALIFORNIA—Fifty per cent of wages, maximum benefit $15 per week for 20 weeks after a waiting period of four weeks. Employers' tax, 1936, 0.9 per cent; employees' tax, 0.45 per cent in 1936, 0.9 per cent in 1937 and 1 per cent thereafter.

DISTRICT OF COLUMBIA—Forty per cent of weekly wage up to a maximum of $15 for 16 weeks after three-week waiting period. Employers' tax, 1936, 1 per cent; no employees' tax.

MASSACHUSETTS—Fifty per cent of weekly wage to a maximum of $15 for 16 weeks after a waiting period of four weeks. Employers' tax, 1936, 1 per cent; employees' tax, the same.

NEW HAMPSHIRE—Fifty per cent of weekly wage up to a maximum of $15 for 16 weeks after a three-weeks' wait. Employers' tax, 1936, 1 per cent; employees' tax (after 1936), 0.5 per cent.

NEW YORK—Fifty per cent of weekly wage up to a maximum of $15 for 16 weeks after a wait of three weeks. Employers' tax in 1936, 1 per cent; no employees' tax.

OREGON—Fifty per cent of weekly wage to a maximum of $15, but not less than $7, for 15 weeks after a wait of three weeks. Employers' tax in 1936, 0.9 per cent; no employees' tax.

UTAH—Fifty per cent of weekly wage up to a maximum of $18 for 16 weeks after a waiting period of two weeks. Employers' tax, 1936, 3 per cent; no employees' tax.

WASHINGTON—Fifty per cent of weekly wage for 15 weeks, maximum per week $15, after a wait of six weeks. Employers' tax, 1936, from 1 to 3 per cent depending upon the production index published by the Federal Reserve; employees' tax, 1 per cent.

WISCONSIN—Fifty per cent of weekly wage to a maximum of from $10 to $15, depending upon the wage. Maximum period 13 weeks after a three-weeks' wait. Employers' tax, 1936, 2 per cent; no employees' tax.

In most cases where the taxes specified do not reach the maximum of 3 per cent in 1938 called for by the Federal legislation, the taxes increase proportionally to the Federal taxes in 1937 and 1938.

Apparently Alabama, California and Wisconsin are defying unconstitutionality, while other states are willing to run the risk. Up to February 15 the Social Security Board had approved nine of the acts listed, including those of the District of Columbia, which

THE RISING GENERATION OF 1890

This picture may help to give an idea of the time scale on which the Social Security Act was drawn.

These young men and women would now be approaching eligibility for old age benefits if it is conceivable that a social security act, in effect in 1890, could have withstood six depressions, the Great War, 11 presidential campaigns and 46 years of fundamental changes in the economic structure.

it drafted, and Alabama, California, New Hampshire, New York, Massachusetts, Oregon, Washington and Wisconsin. It still had under consideration the acts passed in Utah.

It is anticipated that this situation with respect to unemployment insurance will be considerably modified by the action of many state legislatures now in session. Nevertheless the outlook is highly uncertain. In many states the legislatures are loath to invite litigation and adverse court decisions by passing acts which are unconstitutional or whose constitutionality is questionable. Where constitutional changes are necessary few legislatures are willing to go to the expense of special elections to pass upon proposed amendments. In several of the states legislation for the social security measures has been passed, but the necessary appropriations have not been made. In comparatively few states is the situation clearly defined.

Nevertheless, at the close of the current calendar year the Federal Government will begin to collect taxes to cover unemployment benefits whether or not the states are in a position to use their respective shares of the funds. As for the states which fail to legislate—they will pay but they will not receive.

OLD AGE PENSIONS

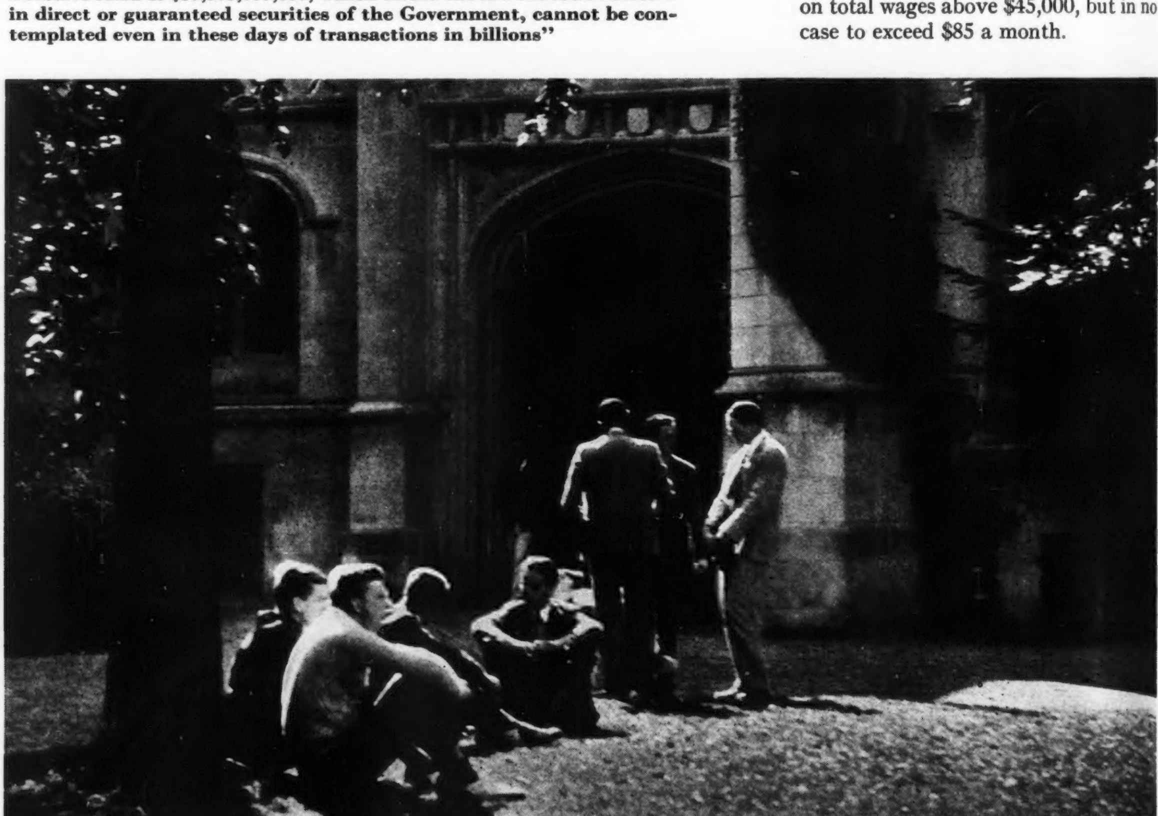
THE situation with respect to the old age pension system is less uncertain, since it needs no state cooperation. This portion of the Federal law becomes effective in 1937. After the first of next January every employer, except employers of domestic servants, agricultural laborers and a few other classes, will pay into the Treasury 1 per cent of their payrolls as an excise tax and their employees will pay 1 per cent of their wages as an income tax, in each case only on wages or salaries up to $3,000 a year. Each three years thereafter the rate will be increased by ½ of 1 per cent, so that by 1949 the rate will be 3 per cent. That rate will continue thereafter. Out of these taxes Congress will appropriate annually and pay into an "old age reserve account" in the Federal Treasury a sum which, when compounded at 3 per cent annually, will produce enough income to pay the amounts due pensioners under the old age pension systems to be established in each state.

Out of the special reserve account in the Treasury thus created each qualified employee in the system, commencing in 1942, who reaches the age of 65 will receive a monthly pension to his or her death ranging from $10 to $85 a month according to the total amount of wages earned by the beneficiary after December 31, 1935, and up to the time he reaches the retirable age.

In general the monthly stipend paid the beneficiary will be based on ½ of 1 per cent of the total wages he receives between 1937 and the time of his retirement plus 1/12 of 1 per cent on total wages in excess of $3,000 and less than $45,000, plus 1/24 of 1 per cent on total wages above $45,000, but in no case to exceed $85 a month.

ELIGIBLE ABOUT 1980—TODAY'S YOUTH

But Mr. Anderson says: "The old age pensions aspect of the proposed system are more promising, although the financial phase of this portion of the system involves the eventual accumulation of so large a reserve fund that it is likely to fall by its own weight before the full impact of its provisions on the country can be realized. As a practical matter, a reserve fund of $50,000,000,000, which under the law must be invested in direct or guaranteed securities of the Government, cannot be contemplated even in these days of transactions in billions"



EWING GALLOWAY

Coupled with this old age pension system are provisions for old age assistance under which the Federal Government will match the states dollar for dollar in caring for aged indigents as well as dependent children and crippled children, for promoting the health of mothers and children especially in districts suffering from economic distress, for the homeless and neglected, for the blind and to promote the health and rehabilitation of disabled people.

Up to last accounts 39 states had passed old age benefit acts, most of them either satisfactory under the Federal act or easily brought within the scope of the latter. Since the Federal contributions are clearly bounties to the states, there is no question of state constitutionality. There is some question of Federal constitutionality, but that is a different story.

The situation with respect to these benefit payments is not without delay and difficulty by reason of a lack of state action. By February 4, 16 states and the District of Columbia had passed acts approved by the Social Security Board to provide benefit payments to aged persons. Under the Federal act, the Government in Washington will match, dollar for dollar, these payments. The 16 states are: Alabama, Delaware, Idaho, Iowa, Maine, Maryland, Michigan, Mississippi, Missouri, Nebraska, New Hampshire, Rhode Island, Vermont, Washington, Wisconsin and Wyoming. Eight other states have passed acts which are under consideration by the Board. They are: Colorado, Connecticut, Florida, Kansas, Massachusetts, Montana, Ohio and Utah. The estimated Federal contribution for old age benefits for these states for the rest of the current year is approximately $15,000,000. Other states are expected to pass acts which will require another $25,000,000 for the rest of the current fiscal year.

Then there are grants in aid by the Federal Government for benefits to dependent children and the blind which are expected to raise the total contributions to $42,664,500, appropriated by Congress. So far 10 states and the District of Columbia have received the Board's approval for their laws providing for benefits to dependent children. They are Alabama, Arizona, Idaho, Maine, Mississippi, Nebraska, New Hampshire, Washington, Wisconsin and Wyoming. Ten states and the District of Columbia have legal provisions for relief of the blind. These 10 states are: Arizona, Idaho, Maine, Mississippi, Nebraska, New Hampshire, North Carolina, Pennsylvania, Wisconsin and Wyoming. The 11 sets of laws have been approved.

It is estimated that of approximately 7,000,000 people over 65 years of age, 1,000,000 would qualify for old age assistance.

The more this social security legislation is considered, the more its far-reaching effects must be appreciated and the more the difficulties of its establishment are understood. Unless the laws are greatly modified it will be found within less than a decade that the act of 1935 is the most stupendous piece of financial, as well as social, legislation ever put upon the statute books of the United States. It has been pointed out that by 1950, when the system is expected to be in full operation, the annual tax to support the old age pension system's 26,000,000 patrons will amount to $1,877,200,000 a year, while the reserve fund will exceed $46,000,000,000.

The annual tax to support the unemployment systems of the states will exceed $826,000,000 and the reserve funds, so far undetermined, will be proportionately large. Coupled with other pension plans, such as the railway retirement system, and with other grants in aid, the total amount collected annually for "social security" will soon exceed the entire cost of the Government of the United States, while the reserves involved will far exceed the total funded public debt of the nation. It is evident that the blithe readiness with which the state and national governments are entering upon such a system has more to do with political pressure than any appreciation of the economic and financial effects it may entail.

Federal Tax for Old Age Pensions

THERE is a levy on every individual with respect to employment as defined in the act, excepting domestic servants, casual workers, those employed in agriculture or public service, on wages or salaries received after December 31, 1936, up to $3,000 per year. This levy amounts to 1 per cent, increasing by ½ per cent each three years until it reaches 3 per cent in 1949, where it remains. The tax is to be collected by the Internal Revenue Bureau through employers. It is an income tax.

There is also a levy on every employer, except with respect to domestic servants, casual workers and those employed in agriculture or public service, on wages up to $3,000 to an individual paid by the employer after December 31, 1936. This entails a tax of 1 per cent, increasing by ½ per cent each three years until it reaches 3 per cent in 1949, where it remains. It will be collected by the Bureau of Internal Revenue. It is an excise tax.

Both employers' and employees' taxes are to be collected under regulations yet to be promulgated, partly, at least, through postoffices by means of stamps, coupons, books, tickets or similar devices.

Taxes for Unemployment Insurance

By every employer of eight or more persons there is payable on and after January 1, 1936, an excise tax of 1 per cent on all salaries and wages up to $3,000 paid by him, the rate increasing to 2 per cent for the year 1937 and 3 per cent for the year 1938 and thereafter. Against this tax may be credited any similar tax paid to a state government, under any state unemployment law, up to 90 per cent of the Federal tax.

State Unemployment Taxes

Each state participating in the unemployment insurance system of the Federal Government must impose a tax on employers and may impose a tax on employees similar to the Federal tax, but such state taxes must be paid into the "unemployment trust fund" in the Federal Treasury. State taxes for this purpose, so far imposed, range from 0.9 to 3 per cent.

The Prodigal Son's Father

JOHN SMITH, a business man who has built up a substantial fortune, drops in to see his banker. "I want to draw up my will," he announces, "and I want your advice about it."

"I don't want legal advice," continues Mr. Smith. "I want to discuss the economic and psychological aspects of my problem. Take my son for example. He's 18 next month, talented, but a little young and irresponsible. The best suggestion my lawyer could offer was that a quarter of his share go to him at his majority, another quarter at the age of 30, and the rest five years later—all on the theory that he would lose the first and probably the second part, but learn enough through these failures to keep the rest. That sounds to me like sending him into the ring twice against overpowering odds without even suggesting to him that there is such a thing as the art of self-defense. Moreover, I've always considered that I owed it to the world not to waste money."

"Really, Mr. Smith . . ." begins the banker.

Mr. Smith continues, ignoring the interruption. "You've been in the business of running estates and trusts for several generations now—long enough to get more experience than any one man could. Like those of other corporations, your records are superior to those of an individual. If there is any scientific basis anywhere to help me, you've got it. What do you think of some sort of trust, starting immediately, in which my son could share with me the responsibility for making investments? Then you might take over my job as co-trustee on my death and continue thus until he is 30. Then he could take it all over. Sort of an apprentice arrangement for him. Continuity. No sudden jolts. Have you ever tried anything like that?"

"Of course, if your lawyer should suggest . . ." begins the banker. Mr. Smith throws up his hands in a gesture of helplessness, and walks out.

* * *

Progressive bankers and lawyers both regret that the opportunity for real service to Mr. Smith is lost somewhere in a twilight zone of unwarranted rivalry and occasional jealousy. To the credit of many estates lawyers it must be said that they have developed an unusual command of legal devices to consolidate an estate plan once it is formulated. To the credit of many trust companies it must be said that they have carried the standards of conserving trust investments and making them productive to a new high point. Thus they have greatly reduced the private loss and social waste so often suffered in the transfer of property from experienced to inexperienced hands. Nevertheless the twilight zone between the two may be more important than the field of either one—to Mr. Smith.

When Mr. Smith has obtained all the help he can from the best lawyer and the best trust company which he can find, he will probably feel that he lacks background for many important decisions. For example, should he provide for the inclusion of investments other than "legals" in the trust funds he creates? At first thought he is inclined to favor the type of high-grade bonds and mortgages which the law prescribes for trust funds in the absence of specific instructions to the contrary. Probably 99 lawyers and trust companies out of a hundred would so recommend.

And yet, what would have happened during the last 25 years to a trust fund created in 1910 in Germany and exclusively invested in the types of security which are now "legal" in this country? In France? In Russia? In Belgium? Can this history be ignored in view of our recent flirtations with inflation and repudiation? Would the record be better in each of these countries if half the funds had been invested in common stocks?

Of course these economic problems are always tempered by the human equation. The seasoned investor may not care how tangible a certain form of investment may be, or what sanctity it may have gathered from family tradition. To his inexperienced wife or son, however, these factors may be of vital importance. This suggests certain lines of investigation which would not yield exact statistical results, but which might throw important sidelights on human factors. For example, the rather general opinion that family fortunes invested in income-producing real estate have remained intact longer than most others might be examined in the light of history.

Proof of greater staying power for landed families would not necessarily indicate the general superiority of real estate as a form of investment. It might merely indicate that real estate is a type of capital which an inexperienced heir would be less tempted to squander than others. Or that it has certain educational features inherent in it that many other forms of property do not have.

In the United States a wealthy industrialist usually treats his real estate holdings as an extravagance, not as an investment. To him the idea of putting up tenants' houses on one corner of his residence estate and perhaps a row of stores on another is just one of those foolish European notions. It might never occur to him that the young son of the European owner may find in his father's estate the kindergarten of busi-

HEADED FOR THE FUTURE

Mr. Kennedy says that "The modern will is a fascinating and awe-inspiring thing—panoplied out with four kinds of trust funds; bravely headed for the full limits of time permitted by the rule against perpetuities; endowed with the reliable income-producing talents of a Midas and the inexhaustible energy of a Frankenstein; armored against all possible economic changes; fully prescient of the future of taxation and of the ultimate destiny of all classes of investment. The only question is: how will it work?"

Among the best known uncertainties of the future are those having to do with the vast changes in industry. At the right, a loan exhibit in the recently opened New York Museum of Science and Industry, where the working models of famous inventors are mingled with new inventions not yet marketed.

By WILLIAM D. KENNEDY

Account Executive, J. Walter Thompson Advertising Corporation; former Assistant Dean, Harvard Graduate School of Business Administration

ness. He can observe how tenants are obtained, how rents are collected, how repairs and improvements are made—simple understandable acts of management, all tied up with man's love of the land and all building up into a tradition of responsible ownership that will be hard to lose.

By way of contrast, Mr. Smith's son comes into his own: an estate on Long Island, another in North Carolina, and another in Maine. All in the American manner—no income, all outgo. Hungry drains on income and capital. Linked up with vague sentimental attachments. No connection with reality. And what reality can an inexperienced boy find in scraps of paper to which his elders give the names of stocks and bonds? How can we blame such an heir if his tenancy of the family fortune is one long series of defeats?

This is not an argument for real estate as a form of family investment; nor is it a plea for a revival of the feudal system; it is merely a suggestion of places where the light of research ought to be thrown.

The following letter to a trust company from a westerner who is much closer to the soil than Mr. Smith shows a groping in the same direction.

Dear Sir:

Thank you, but I wouldn't care to take out one of your trust funds for my boy. I am afraid it would seem like an oil well to him—just something that kept gushing money day in and day out—and I wouldn't blame him if he sold it the first chance he got and spent the capital the same way that he had been spending the income.

Now if you will show me a trust fund that is built along the lines of a cow, I might warm up to the idea. A cow gives milk like an oil well gives out oil, but you've got to feed her and learn about her tricks, and a man must be right shiftless before he sells a good cow just to blow in the money she brings.

It is to be hoped that the trust company replied that trusts are so flexible that one might very well be constructed "along the lines of a cow".

And then there is the problem of individual peculiarities. One testator, for example, tries to take into account a certain literal-mindedness which he has observed in his wife. He says: "My wife has so much pride that I feel I must, for her own happiness, leave her the entire control of my estate. I have only one misgiving. Capital is as different from income to her as black is from white. She believes that all capital must be invested and all income spent. Her judgment in investments is good but she will inevitably make some mistakes. I am afraid that as soon as she has suffered a minor loss she will speculate with the rest of her capital in an effort to make it up, instead of rebuilding the principal out of income, which would be abundant for the purpose."

His solution, right or wrong, is interesting. Capital and income are to be paid to her commingled, so that she cannot distinguish one from the other, in ten approximately equal annual instalments. He believes that starting with the fresh viewpoint which this will force upon her, she will work out an intelligent program.

Another testator believes that "pitiless publicity" is the best curb on a speculative tendency which he has perceived in certain members of his family. He says: "It is well recognized that publication of full operating statements by industrial companies is an important influence, making for conservative management. Why is this not equally true in the case of individuals?"

By publication he means an exchange among his heirs of audited statements covering their investment operations. There are many difficulties, of course, in putting such a theory into practice, and it may be as unsound as interesting.

CUSHING

These are just a few samples, selected at random, from the vast number of interesting and possibly significant experiments, some tried in the past and others now being tried. Up to the present we have no scientific basis whatever for classifying or studying their results. The literature of the law is chiefly concerned with unsuccessful abnormalities. It is the place to go to find out what won't work. To find out what does work it will be necessary to go into the field to trace the effects on the lives of beneficiaries of the various legal devices which are now so casually employed.

The modern will is a fascinating and awe-inspiring thing—panoplied out with four kinds of trust funds; bravely headed for the full limits of time permitted by the rule against perpetuities; endowed with the reliable income-producing talents of a Midas and the inexhaustible energy of a Frankenstein; armored against all possible economic changes; fully prescient of the future of taxation and of the ultimate destiny of all classes of investments. The only question is: how will it work?

If basic information on the economic and psychological phases of estate planning is important—and who can doubt that it is—a way must be found to collect it. Obviously it can best be obtained through joint effort of the interested parties—Mr. Smith, his banker and his lawyer. Obviously, too, the initiative and most of the financial support for any research undertaking must come from the trust companies, as the largest business aggregates involved. The research agency might be one or more universities. Such a plan has already been formulated and in due time may be carried into effect.

But even if more facts were available, tact and common sense and intelligence would still be necessary in making an estate plan.

Several years ago Mr. Smith sat at dinner beside Mrs. Jones, widow of an old friend.

"Why do you suppose Jim left everything to the children and just the income to me?" she asks in sudden pathetic confidence. "I can't help feeling as if I were living off their money and I can't see why they shouldn't feel the same way even though they never mention it. If only I had a little capital of my own I think I would crawl away somewhere and not tell anybody where I had gone."

Mr. Smith, when he recovers from his amazement, tries to explain that his friend, the late Mr. Jones, had taken this means to save his estate a few thousand dollars in taxes when he made his will, but he isn't quite sure that his explanation is understandable.

Even when an estate plan is carefully worked out, flesh-and-blood heirs may not move like chess-men over the legalistic checker board created by a complex testament. They are as often confused as they are informed of their benefactor's intent by the mumbo-jumbo jargon of the law.

All too rare is the heir who has found in his inheritance the sense of security which the benefactor hoped it might give and who, because of the well planned method and manner of the gift, suffers no loss of initiative or self-respect in its enjoyment. The man who is working his head off just so his son can make a bum of himself is going to wake up some day. When he does he is either going to get some real help in creating a sound estate plan or he is going to take life easier.

Those who believe most strongly in the American system of private property, with its realistic viewpoint, its unquenchable initiative, its restless vitality, and its splendid social contributions, must recognize that here is a danger spot that cannot be ignored much longer.

ONCE IN A GENERATION

"Once every 30 years, more or less, all private property in this country changes hands, by inheritance or gift. This includes control of most of the machinery of production, on which we all depend for a livelihood. The privilege of disposing of this property to heirs and good causes is one of the prime driving forces that actuate the leaders of our productive army. And yet we hear it said that only one will in ten fully realizes the hopes of the man who wrote it!"

BROWN BROS.

The Complete Bank Director

By JOHN COLT

President, Second National Bank and Trust Company, Red Bank, New Jersey, and former Commissioner of Finance of New Jersey

THIS is the story of how one bank, through application of the committee plan, is helping the directors not only to fulfill their obligations, but also to become partners in the business.

The Second National's board is divided into six working committees—the emphasis is on "working"—covering administration, bond portfolio, real estate, trust matters, loans and the bank building. Each committee meets at intervals to discuss, review and analyze the affairs that come under its particular jurisdiction. What is more important, the discussion, review and analysis are quite the opposite of perfunctory; they are vital contributions to the bank's operation.

COMMITTEE WORK

EACH group consists of three directors, with the president serving ex-officio and a bank officer as secretary. Formerly the personnel was permanent, but this year a system of rotation is being followed, giving every member of the board an opportunity to familiarize himself with the various departmental affairs.

The administrative committee considers matters of general banking policy. The bond group, meeting every week, maintains a careful watch over the investment portfolio, studying yields, maturities, switches, money market trends, etc. The real estate committee inspects properties on which the bank is asked to extend loans or in which it has a financial interest of some sort, making recommendations and keeping an eye out for changes in realty values affecting the security behind mortgages previously acquired.

The trust committee passes upon all questions of policy bearing upon the investment of trust funds and the general handling of estates and trusts. The details of the individual trusts are, of course, known only to the officers of the company, and are treated in the strictest confidence. All decisions with regard to the purchase and sale of securities, real estate and mortgages by the trust department are arrived at by the department's executive in consultation with the trust committee. The trust committee also conducts periodic reviews of all the holdings of the trust department. Its members are thus made familiar with and have an active part in the administration of this department.

As the title denotes, the building committee's duties concern the maintenance of the bank's own premises.

The loan committee has numerous and exacting tasks. After each examination it holds a number of meetings for a discussion of the examiner's report; when the situation has been fully canvassed it meets regularly to consider problems which have arisen subsequently.

A record of each loan account commented upon by the examiner is maintained on an index card in a confidential file and bears essential information of a routine character, together with the classification given the loan in the last examination, and the examiner's comments. These cards constitute the loan committee's diary and tell the story from one examination to the next.

When the committee meets, the status of the loans—particularly, of course, the "slow" and "doubtful" categories—is reviewed and a report is made by a bank officer on the current situation. The members have before them, on the cards, full data with respect to each loan, including a record of steps taken by the management since the last examination. They are thus in a position to discuss and suggest further procedure, and to report to the full board.

THE CASE METHOD

IN my opinion the "case method" offers the best means of educating a board of directors, and so far as possible this procedure is followed in the work of all the committees.

"Here is a problem," I say to the members of the board. "How shall we solve it?" In placing the problem before the board I not only bring out the facts but also try to discover what the accepted banking practices are in similar circumstances, thus combining as effectively as possible in our considera-

Board, Correspondent, Management

"COUNTRY banks with an aggressive board made up of the leading business men of the community who take an active part in the bank's affairs, with city correspondents who look upon their country affiliates as peers in the great world of banking, and possessed of a management which is able, modern and yet conservative, may again become the force in the development of this country that they formerly were."

tion both theory and practice of banking.

This program of director cooperation represents the logical outgrowth of certain principles on which this bank is being operated. The small bank, especially if its location within the commuting area of a large city means that it competes with metropolitan banks, must demonstrate that it can operate as efficiently, soundly and safely as its city competitors. Its investment portfolio, trust department, general banking service, loan policy, and its accuracy must be up to the standard set by the large banks. The Second National is proceeding towards this goal along practical, workable lines.

We feel that with the help of metropolitan correspondents a country bank can be brought to a high state of efficiency. Our own aim is to operate our institution according to the standards maintained by the outstanding banks in the district. And to that end we plan to use to the limit the facilities so generously put at our disposal by our city correspondents. As a matter of fact, I am of the opinion that few country banks have yet begun to realize what their city correspondents can really do for them.

VALUE OF CORRESPONDENTS

TO help accomplish our purpose we requested and obtained the assistance of one of our New York correspondents. We asked this institution to send us its best available operating man to study our methods. The man assigned was the auditor, fortunately possessed of a manner and personality which quickly won him the confidence of the bank's personnel.

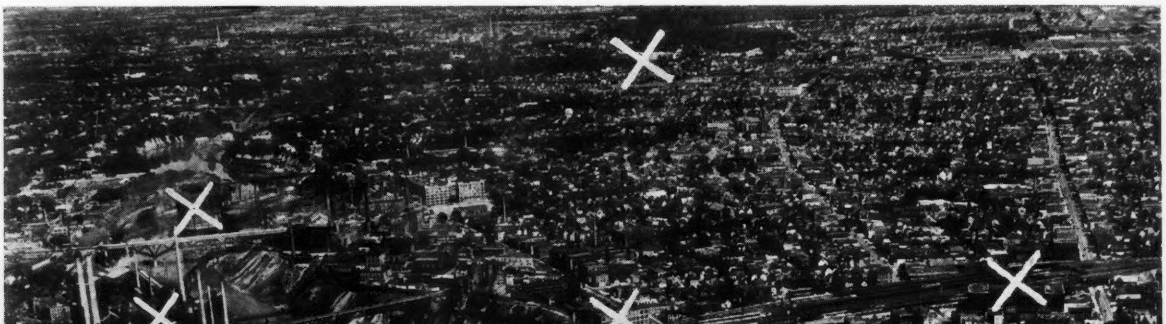
He looked us over carefully for two days and then mailed back a constructively critical report. We profited so greatly from the recommendations made possible by his training and experience that we plan to have him visit us at least once a year.

Country banks with an aggressive board made up of the leading business men of the community who take an active part in the bank's affairs, with city correspondents who look upon their country affiliates as peers in the great world of banking, and possessed of a management which is able, modern and yet conservative, may again become the force in the development of this country that they formerly were.

Although branch banking may be the answer to evils uncovered in the past, I am still of the opinion that independent country banks, indigenous as they are to their communities, operating on a sound modern basis and making full use of correspondents' information and assistance, may yet prove the answer for a country with our traditions and heritage. Our efforts at least represent a serious attempt to build a better bank on the foundations of the old system. Perhaps the smoke of battle during the past few years has dimmed our vision to some of the really good things which that system embraced.

COMMUNITY-WIDE VIEWPOINT

Directors reside and conduct their businesses in various parts of the community. They bring to the bank different viewpoints and different backgrounds of experience. They are men of ability. Their composite knowledge is an asset and can be of great value to the bank



FAIRCHILD AERIAL SURVEYS

Bank Salaries

By E. S. WOOLLEY

THE payrolls in banks vary between 45 per cent and 65 per cent of the total operating expenses, exclusive of losses charged off and interest paid. Salaries, therefore, are an important item in the control of expenses. To control them properly, however, the real reason for the payments must be recognized. That reason is frequently misunderstood, for it is often thought that the bank is paying persons. Actually this is wrong, because no business really pays people. It pays for having work performed.

When this fact is recognized, persons are not considered, and the position rather than the person becomes the recipient of the salary. When this point of view is achieved, minimum and maximum salaries are established for each position in the bank, the incumbents of the various positions being paid in accordance with the efficiency with which they perform their duties.

Before such a schedule of minimum and maximum salaries can be prepared, however, the bank must decide what percentage of its gross income shall be thus disbursed. In banks over the country this percentage will vary between 10 per cent and 25 per cent, the variations being attributable in the main to two factors.

POSSIBLE DIFFERENCES

FIRST is the method of operating. If the bank is using inefficient operating methods it naturally requires more people and a larger total payroll than one which uses up-to-date methods. Again, a variation will occur between equally efficient banks which have a different ratio of time and demand deposits. It takes more persons to operate a commercial department than a savings department.

Therefore, the percentage which the total payroll should bear to the total gross income is a problem for the directors of each individual bank. Certainly, however, that total should not exceed 25 per cent nor be much less than 10 per cent of the total gross income.

This attitude toward salaries as payments to positions rather than persons has many advantages. It eliminates discrepancies which otherwise may be found to exist. The seniority rule, which is the one most prevalent in banks, actually breeds discrepancies. In recognizing length of service rather than efficiency some employees are overpaid and others underpaid. To pay anyone merely for length of service is also a deterrent to ambition and is therefore detrimental. If employees feel that they must wait for dead men's shoes in order to advance, and that they will automatically step into those shoes, there is not much incentive for them to learn more of the business of banking.

EMPLOYEE MORALE

THIS suggested method of payment also largely eliminates the necessity for secrecy. The thought that salaries are secret is more or less a delusion, for employees usually have a fair idea of the amount being received by their fellows. Particularly is this true if one person is getting considerably more than another for doing the same work, merely because of length of service. A definite schedule of minimum and maximum salaries for each position overcomes all these difficulties and also provides the directors with established standards.

In order to aid in preparing such a schedule there is presented herein a table showing the suggested minimums and maximums for each position in a bank of $10,000,000 total deposits, divided 60 per cent savings and 40 per cent demand. In the particular bank the total actual payroll, including the trust department, was 14.22 per cent of the total gross earnings in 1935. Excluding the trust department earnings and salaries the percentage was 12.65. The trust department had 558 trusts operating during the year. It earned gross fees of $17,500 and the actual salaries were $9,350 which represented 50.23 per cent of the earnings of that department. It is therefore seen that the salaries paid in the trust department were considerably higher in proportion to the income produced than in the other departments of the bank.

There was a total of 41 employees in the bank, including those in the trust department. Assuming that everyone had been paid the minimum salary shown in the schedule, the total payroll would have amounted to 11.96 per cent of the total gross income. If every person in the bank had been paid the maximum salary the percentage would have been 20.57.

Of course there never actually would be a time when the minimum or maximum salary was being paid to all employees. The total payroll, therefore, will always be somewhere between the two totals.

It will be noted that there is considerable leeway between the minimums and maximums for most of the positions, particularly the executives. As has already been stated, the deciding factor between the minimum and maximum for each position would be the efficiency with which the duties were being performed, and not length of service. Different yardsticks would have to be used for the different positions.

EXECUTIVE SALARIES

AN executive is paid for what he knows, whereas a clerk is paid for what he does. Therefore the yardstick for the senior officers would be knowledge as well as results. With the clerks it would be principally results. As suggestions for these yardsticks, the various positions may be briefly considered. The senior executive officer who is conducting his bank on a profitable basis should naturally receive a higher salary than one who is conducting it unprofitably. The better to illustrate this, the case of two actual banks is cited. In each case the president of the bank is a business man who devotes but little time to the bank, the executive officer being the cashier. One bank has $1,700,000 in deposits and the other bank about $1,900,000. The cashier of the bank with $1,700,000 receives a salary of $4,800 per year. His bank had a net income in 1935 of approximately $6,000. The bank with $1,900,000 in deposits, however, earned a net income of nearly $60,000, yet the cashier's salary was only $5,800. In other words the bank had ten times the income but paid the

chief executive only $1,000 more. Certainly on this basis of results the latter cashier was being underpaid. In fairness, however, it should be stated that the directors of the first bank were mainly responsible for the poor showing. They were a handicap to the cashier rather than an asset. In their desire to be what they considered conservative they vetoed many constructive suggestions merely because they were new.

The salary of an assistant cashier will depend upon the duties he is performing. If "assistant cashier" is merely an empty title, when actually the duties that are being performed are those of note teller or some similar position, then the salary should be in accordance with those duties. Again, employees are frequently given this title merely in recognition of length of service, the individual remaining at his old duties and the actual duties of assistant cashier being performed by someone without the title. Such inconsistencies can be avoided only by definite planning. The mere fact that a person remains in a junior position in a bank for many years is frequently *prima facie* evidence that he is incapable of assuming heavier duties. Therefore the salary should remain stationary accordingly.

The yardstick in gauging the remuneration to be paid the trust officer would be dual. A trust officer who is able to build the department and procure new trusts is naturally worth more than one who is merely an expert in the matter of trusts. The ratio of the trust department salaries will often be considerably higher in relation to gross income than salaries in the bank as a whole. At times, moreover, they even exceed the gross fees. In such cases, of course, serious consideration should be given to discontinuing the trust department.

INTERNAL AUDITOR

TOO frequently banks do not have an internal auditor, the title of auditor going to the person who is in reality only the general ledger bookkeeper. As a matter of fact an internal auditor can prove himself very valuable to any bank with $5,000,000 deposits or more. However, he should be a person trained in auditing and not necessarily someone who has grown up with the bank. He should be of an analytical type and capable of making figures tell their whole story. He must be tactful in order to obtain the cooperation of the personnel. He does not need to be a "snooper" and must not allow personalities to enter into his recommendations. Besides auditing he should also be able to prepare comprehensive statements for executives and directors and to interpret the figures so that the executives can take the necessary action. He should be in complete control of the accounting system and should have the privilege of reporting directly to the board when necessary. Such an employee can make himself very valuable and is entitled to be paid accordingly.

Of all the employees, the tellers are the ones who most frequently come in contact with the depositors. To a large extent, therefore, the depositors' reaction to the bank is that which they have obtained from the tellers. Consequently, underpaid tellers may be a very expensive saving. Tellers should, furthermore, be paid in accordance with their efficiency. A teller who is always late in balancing and therefore holds up the work of others tends toward disrupting morale. There are banks where this frequently happens, yet because the particular teller has been in the employ of the bank for many years he draws a higher salary than others who are very much more efficient.

BOOKKEEPERS

THE same thing is often true in the bookkeeping department. It is overcome if the bookkeepers are paid in accordance with the amount of work they are performing. It is manifestly unfair to pay a bookkeeper who is able to make only 800 postings a day the same amount or more than is received by one who is making 1,200 postings a day. And yet such a condition is by no means exceptional.

The same thing that is true regarding salaries is also true regarding promotions. When all employees know that promotions are predicated solely on merit, they have a strong incentive to study. A definite schedule of salaries for each position and merit promotions go together. If, for example, a teller knows that so long as he remains a teller the maximum salary he can look for is $4,000, it is an incentive to him to avail himself of the opportunities of education so as to fit himself for a higher position. The practice of definite planning throughout the bank will aid directors in building a stronger bank by giving them better control.

Schedule of Salaries in a Bank of $10,000,000 Deposits

	Minimum	Maximum
President	$10,000	$15,000
Vice-president and cashier	7,500	10,000
Assistant cashier	3,600	7,200
Trust officer	5,000	7,500
Assistant trust department clerk	1,200	3,600
Auditor	3,600	7,500
Head commercial teller	3,000	4,000
Assistant commercial tellers	1,800	3,000
Head savings teller	2,400	3,600
Assistant savings tellers	1,200	2,400
Savings bookkeepers	900	1,400
Collection tellers	1,500	2,400
General ledger bookkeeper	1,800	2,400
Head commercial bookkeeper	1,500	2,200
Assistant commercial bookkeepers	1,000	1,800
Note teller	2,500	4,000
Assistant note tellers	1,200	2,000
Head of transit department	1,800	2,400
Clearings and transit clerks	720	1,200
File clerks	720	1,200
Stenographers	900	1,800
Messengers	720	1,500
Vault custodian	1,500	2,000
Floor man	1,800	2,400
Telephone operator	750	1,200

By GILBERT T. STEPHENSON

Vice-president, Equitable Trust Company, Wilmington, Delaware

Advisory Trusteeship In Practice

"CO-TRUSTEESHIP, especially between a corporate trustee and an individual, has proved in practice to present so many difficulties and disadvantages that trust institutions, settlors and their respective attorneys alike would welcome a satisfactory substitute for it. What appears to be such a substitute in many cases is statutory advisory trusteeship as it has been developed already in Australia and New Zealand"

THE principal difficulties and disadvantages of co-trusteeship arise from the fact that neither the corporate nor individual trustee is ever quite sure that one trustee may not be held liable for the acts or omissions of the other amounting to breaches of trust.

A general statement of the law, to be sure, is that a trustee is not liable to the beneficiary for a breach of trust committed by a co-trustee. Yet this general statement at once is hedged about by the limitations, among others, that a trustee is liable to the beneficiary if he (the trustee) (1) improperly delegates the administration of the trust to his co-trustee, or (2) by his failure to exercise reasonable care in the administration of the trust enables his co-trustee to commit a breach of trust, or (3) neglects to take proper steps to compel his co-trustee to redress a breach of trust. In the Restatement of the Law of Trusts (section 224) from which the foregoing statements are taken these principles are illustrated as follows: A and B are co-trustees. (1) A directs B to invest the trust funds without consulting with A. In breach of trust B invests in shares of stock. A is liable for breach of trust. (2) A improperly permits B to have the sole custody and management of the trust property and makes no inquiries as to his conduct. B is thereby enabled to sell the trust property and embezzle the proceeds. A is liable for breach of trust. (3) A knows that B has embezzled a part of the trust property but makes no effort to compel him to make restitution. A is liable for breach of trust.

So, in the face of this possibility of one co-trustee's being held liable for the acts or omissions of the other, the prudent co-trustee, whether corporate or individual, insists upon the joinder of the other one or more co-trustees in every act, other than a mere detail, in the administration of the trust. Thus, the corporate trustee frequently finds itself severely handicapped by the co-trusteeship in proper and expeditious administration. An absent, ill or even tardy individual co-trustee slows up the processes of administration as to some of which processes time is of the essence. Likewise an individual co-trustee who is meticulous about trivial details, sometimes to the neglect of really important matters, slows up the administration. On the other hand, an inactive individual co-trustee who undertakes to place all the responsibility upon his corporate co-trustee and merely rubber-stamps his approval of what the other does is defeating the purpose of the co-trusteeship.

Realizing these and other difficulties and disadvantages of co-trusteeship and yet desiring and, in some cases, really needing the collective knowledge, composite judgment and greater safety, in theory at any rate, that the combination of a trust institution and one or more individuals offers in the administration of a trust, trust institutions, settlors and their attorneys lately have been turning to the device of naming advisers or boards of advisers to the corporate trustee. They have been naming a trust institution sole trustee and in the trust instrument naming one or more of the settlor's personal friends or business associates adviser or advisers or a board of advisers to render what are essentially the same services as co-trustees.

While the naming of advisers, instead of co-trustees, is a step in the right direction, it does not, by any means, solve all the difficulties. The position of adviser to a trustee is a more or less undefined relationship, except as it is defined in the particular trust instrument. In the absence of specifications in the trust instrument, what are the powers, duties, responsibilities and liabilities of an adviser to a trustee? Wherein are the powers, duties, responsibilities or liabilities of a trustee affected by its having an adviser or a board of advisers appointed by the trust instrument? Suppose there is a disagreement between the trustee and its adviser. Whose decision controls? As the trust institution knows, an accepted principle of law is that, although a trustee cannot properly delegate to another, it can properly consult with and take the advice of others provided the trustee itself makes the final decision in the matter. But what difference does it make whether the trustee selects its own adviser or has its adviser imposed upon it? These questions suggest the confusion and conflict—and the consequent disservice to the beneficiaries—that may arise with respect to advisers to trustees unless the relationship between the trustee and the adviser is stated definitely in the trust instrument or in a general statute.

(CONTINUED ON PAGE 72)

A Recipe for Radio Advertising

By R. E. DOAN

Director of Public Relations, The Denver National Bank, Denver, Colorado

PERHAPS the greatest problem facing the new radio advertiser is what type of program should be used. This is not a question to be answered definitely without a thorough knowledge of the institution in question, its objectives and the field of prospects. A few general suggestions can be made, however.

In the first place, a radio program can, and always should, fit the dominant feeling or spirit of the sponsor; and it should be planned to achieve the desired objective. As no other medium, perhaps, radio can be used to reflect the spirit of any institution. This spirit can be conveyed by the general nature of the program, the type of music, the messages given, the tone of voice in making the commercial announcements, and in other ways.

SELECT THE AUDIENCE

LIKEWISE, radio can be used as a selective medium to appeal to a certain type of audience, if that is the desire of the sponsor. The program can be built to appeal to the masses or to limited groups. For example, a program dramatizing events in the early history of the community, and showing the part played therein by the bank, could be made to illustrate the constructive, cooperative spirit of that institution, or to stress its age and stability. Such a program could be written and broadcast on so high a plane that it would appeal only to the most intelligent type of listener, or it could be designed to thrill a much larger group. It could be written to tie in with the exploits of early pioneers whose descendants are still prominent in the business life of the community, directly interesting these influential leaders and their friends primarily; or those characters of the early days could be chosen whose exploits would be interesting to the average person.

Another series of programs could be given to acquaint listeners with interesting facts about their state or region, demonstrating either the bank's interest in its community or its close connection with local industries. And here also the programs could be written to appeal to entirely different types of audiences. Again, a program series devoted mainly to music offers an unlimited field for selection of the audience. Operas, light operas, symphony orchestras, dance bands, quartettes, instrumental solos, etc., appeal to rather distinct types of people and convey different institutional impressions when appropriate commercial copy is used in presenting them.

In short, when endeavoring to choose one type of program, a bank advertiser should ask himself such questions as: What institutional feeling is to be conveyed? What service is to be sold? Who are our logical prospects? What type of program will most interest them? The prospective advertiser need not worry about the limitations of radio. He need only decide what he wishes to accomplish and then work out the program accordingly with the help of qualified advisers.

TYPE OF PROGRAM

IN answer to the frequent question as to what kind of program draws the largest audience, it is apparent that no one type of program will appeal to all classes of people, and that therefore none can be said to be the best. Countless surveys have been made in efforts to find a better answer. In a general way it may be said that inasmuch as people regard radio largely as a source of entertainment, the greater portion of a program should be truly entertaining. And, since music is universal in its appeal as entertainment, a musical program is likely to draw the largest audience.

However, there are countless types of music, and countless personal likes and dislikes among listeners; therefore even an all musical program cannot hope to attract everyone. But these preferences are not real drawbacks to radio, just as they are not drawbacks to any other media. In fact, they are something for which advertisers may well be thankful. Without them we could not hope to reach an interested and receptive audience. By wisely choosing the kind of program that will appeal to the person we are endeavoring to sell, we are enabled to reach an audience already half on our side—an audience appreciative of what we are bringing them in the way of entertainment, and consequently receptive to our message. The main points to remember are, first, to choose the program that will logically appeal to the audience you desire, and, second, to make certain that those who comprise this prospective audience are thoroughly informed of your program.

TRANSCRIPTIONS

THE question of transcriptions (recorded programs) also enters the picture frequently. The advertiser asks whether transcriptions are acceptable, or whether people dislike them. This is no longer a serious problem. In the early days of radio, recordings were overdone and were often imperfect; consequently they did build up some dislike among radio listeners. Today, however, transcriptions are not overdone, and they have been perfected to such a degree that it is almost impossible for the average person to distinguish between them and "live" talent. Also, the wording of the announcement, although informing the audience that it is listening to a recorded program, can be so unobtrusive that it will not call undue attention to this fact. This is not an imposition on the audience; indeed, if it were not for transcribed programs many of the finest offerings on radio would be practically impossible due to the cost and the physical impossibility of stars to appear in many stations at different times.

THE STATION

IN selecting the station to carry the program, an advertiser does well to remember that price is not everything, that the station with the lowest rates may be the most costly at times. Here again, the advertiser must have well in mind the type of audience he wishes to reach, for in many cases different stations in a city draw different types of listeners. Another consideration might well be how many good chain programs the station carries regularly. Surveys have shown that a large percentage of radio listeners follow the big chain programs, thus enlarging the audience for the station carrying them.

A natural and logical consideration, of course, is the territory covered by the

A.M.	WEAF 660k	WOR 710k	WJZ 760k	WABC 860k	A.M.
8:00	Children's story	Talk	Morning Devotions	Male quartet	8:00
8:15	Talk, Melodies	Beauty talk; music	Lew White, organ	Resume; food markets	8:15
8:30	Cheerio talk, music	Sales talk	" "	Freddie Miller, songs	8:30
8:45	" "	Home Town Boys	Landt Trio and White	Lyric Serenade	8:45
9:00	The Wife Saver	Bill Huggins, songs	Dance band, the	Metropolitan Parade	9:00
9:15	The Streamliners:	'Modern Living'	Sophisticates and	" "	9:15

A.M.	WEAF 660k	WOR 710k	WJZ 760k	WABC 860k	A.M.
8:00	Children's story	Talk	Morning Devotions	Girls' vocal trio	8:00
8:15	Talk: Food prices	Melody Time	Alden Edkins, basso;	Food prices (8:20)	8:15
8:30	Cheerio; talk, music.	Sales talk	Wm. Meeder, organ	Freddie Miller, songs	8:30
8:45	" "	Home Town Boys	Minute Men quartet	Salon Musicale	8:45
9:00	Organ Rhapsody	Church Hymns	Breakfast Club:	Bugle Call Revue	9:00
9:15	The Streamliners:	Modern Living	Ranch Boys and	" "	9:15

A.M.	WEAF 660k	WOR 710k	WJZ 760k
8:00	Children's story	Talk	Morning Devotions
8:15	Talk; string sextet	Beauty talk; music	Lew White, organ
8:30	Cheerio; Talk, music	Sales talk	" "
8:45	" "	Home Town Boys	Landt Trio, White
9:00	Dick Leibert, organ	Church hymns	Breakfast Club:
9:15	The Streamliners:	'Modern Living'	Marie Sisters, Jack

station. Does it give you coverage throughout the territory you serve or desire to serve? Or, on the other hand, are you paying for far too wide a coverage—a waste circulation? In short, much the same considerations enter into the selection between competing radio stations as would enter into a selection between competing magazines or newspapers. Pick the one that reaches the type of audience you desire in the territory you can efficiently serve. The station salesmen themselves, or a reputable advertising agency, can usually furnish data sufficient to enable the advertiser to determine these points to his own satisfaction.

TIME FOR THE PROGRAM

ANOTHER common problem for radio advertisers is the attempt to select the best time on the best day of the week for the program; also, consideration of the competing programs on other local stations at that particular time. Each advertiser usually has his own opinion as to the best time and best day, but it must be remembered that this is merely his opinion, usually based upon his own personal habits, which may not be average. Various surveys have been made to determine a correct answer to the question of the best day, and the only result was to find that people listen in about equally all days of the week. When an exceptionally large number are found to listen any one evening in the week, it is usually because exceptionally good programs are then available.

Of course, in selecting a time, there are certain general considerations. For example, it is a good idea to have your program immediately following one which has already established a large audience, for you are quite likely to retain a large percentage of this audience if your program in any way approaches its predecessor in quality. Also, a decision must be made as to whether the advertiser wishes to reach the entire family (evening is naturally the best time for this) or whether he wishes to reach mainly the housewives, in the daytime. And here the habits of the type of people to whom you are appealing must be carefully considered. When do they have their evening meal? When do they retire? What time is the housewife likely to be at leisure? The answers to these and similar questions will aid in determining the best hour for your program. The local radio station or advertising agency can best advise regarding these points; it is part of their business to know.

Competing programs on another station at the same time as yours should not occasion much worry, at least no more than a similar situation in newspaper and magazine advertising, billboards, direct mail, etc. The main consideration is to make your program so good that people will want to listen to it.

In general, as regards time, the hours from 6 to 11 in the evening are considered good, 7 to 10 being probably the best. During the day, 12 noon to 1 o'clock is a good time. Various other times are likewise good, depending, of course, upon the prospects you desire to reach.

HOW LONG A PROGRAM?

PERHAPS the next most important problem is to determine how long to broadcast, that is, how long a period should be contracted for. In answering this, one fact stands out clearly: An advertiser cannot hope to achieve complete results from a single broadcast any more than from a single printed advertisement. Like other advertising media, radio is cumulative in effect. It must be used again and again. All things being equal, the broadcaster who stays on the air two months will get well over twice the results possible from one month; a year's program series will bring far more than twice the results obtainable from a six months' series. A check of any of the popular programs will reveal that they have been on the air for a long period and have become old, tried and true friends of the radio audience.

SUPPLEMENTING RADIO

MANY new radio advertisers seem content to spend good money and then sit back and wait for the customers. However, it will usually be found necessary to merchandise a radio program at the start. After that, if it is good, it will carry itself and build an ever-increasing audience through recommendations from enthusiastic listeners to their friends.

Various media aptly lend themselves to this job of merchandising the radio program. When our bank went on the air with a weekly half-hour program we utilized numerous means of drawing attention to it—advertisements and publicity releases in the daily papers; a trailer in one of Denver's largest motion picture theaters; spot announcements for days ahead of the first program on the radio; window displays; direct mail to bankers, lawyers and business men whom we believed would be interested in this program; stickers on all outgoing mail in the district covered by our station; posters in vacant store building windows throughout town; advertisements in a local bank magazine; posters in the bank lobby; blotters on customers' counters; enclosures in statements at the end of the month; counter cards at each teller's window.

It is in such intensive and extensive merchandising of a program at its inception that we find the logical answer to the objection that radio advertising is short-lived. True, if people do not hear the program when it goes on the air, they never do. But, it is the advertiser's job to make certain that the prospective audience is well informed as to the time, the station, and the quality of the program. In short, the audience should be made eager to hear the program.

EMPLOYEE INTEREST

IT is also important to consider the advertiser's own organization. Every employee should be thoroughly sold on the program, so interested that he will tell his friends to listen in. He should be informed as to the objectives of the program so that he may do his part in backing up the program's statements as to courtesy, helpfulness, and the like.

In our case a personal letter, signed by the president of the bank, went to each employee, outlining the aims and nature of the program. In addition, the various counter cards, window displays, lobby posters and enclosures around the bank made it impossible for an employee to forget our new venture. For the first few broadcasts, we even went so far as to put up a neon-bordered reminder of the program near the door used by the staff members.

It should be borne in mind that radio is a reciprocal medium, that it will help to arouse interest in other forms of advertising, and (CONTINUED ON PAGE 74)

700 Reports

THE secretary set the loose-leaf book on the table. She did so carefully, almost respectfully. Then she smiled, perhaps from courtesy, although it seemed possible that she knew something about the book and was anticipating the caller's reaction.

The volume had a well groomed appearance. But it was impressive only if one appraised books by the pound, for it was large, even bulky, though in a refined way. Obviously the hospitality of its generous ring binders was about to be exhausted.

A BANK HISTORY

OF course it is as easy to be fooled about a book as about a race horse or an old postage stamp, and it is usually best to reserve judgment until an expert diagnosis has been made. After all, large books in the working quarters of a bank—especially the accounting department—usually mean something. This one did.

It was a book with a history; in fact, it *was* history. It contained specimen copies of the multitude of reports required by public supervising authorities, and voluminous instructions for their preparation.

Inside was a brief foreword explaining that the subsequent pages contained the forms which the bank was required by law to fill out at stated intervals—daily, weekly, monthly, bi-monthly, quarterly, semi-annually, annually—and send to the various agencies. There were also some instructions to those who prepared the forms for transmittal to national, state and local authorities. The volume, in short, was a summation of the evidence against the present burdensome system of bank reports, a system which, if present plans can be carried out, will be greatly simplified through the efforts of the Standing Committee that has been working for months in the interests of call report standardization and unification.

This black book on the bank table revealed many things; and there were many, also, that it did not reveal. It disclosed that the bank—a trust company member of the Federal Reserve—was called on to make about 50 condition reports, of one sort or other, each year to external agencies. The time periods covered were divided as follows: daily, 1; weekly, 5; monthly, 4; bimonthly, 1; quarterly, 10; semi-annually, 1; annually, 28. A few calculations on a scratch pad provided the astonishing information that in carrying this routine through a year the bank had to prepare about 700 reports, several of which contained multiple schedules.

And this gigantic task only had to do with information as to condition. There were, besides, the complicated and numerous papers that must be made out to convey tax information to the proper government authorities, as well as the sporadic requests for special data which can—and do—come from agencies of government. Incidentally, it is interesting to note that the information returns made annually by this particular bank to the various taxing authorities weigh from 15 to 30 pounds. The bank pays the postage and registration fees.

TRUST REPORTS, TOO

BECAUSE it does a trust business, the bank is more exposed to reports than if its business were strictly commercial banking. In extending trust service it comes under the jurisdiction of a number of states, each of which wants to know about this, that, and the other thing, perhaps not more than once a year—but it wants to know, none the less. Inasmuch as the information each state seeks differs as to data or method of presentation, the result is widely varying forms, all of which mean work.

Work costs money. The trust company in question maintains a staff of 15 persons to provide food for the information-hungry agencies. These people are working for government agencies, although, of course, the bank pays their salaries. Then there are expenses incident to legal service, equipment, special research which cannot be done by the bank itself.

The total cost is difficult to estimate, but it has been roughly figured that the bank is spending approximately $150,000 a year to tell the nation, state, county and city that it is sound and fit to continue in business. The expense of supplying the necessary tax information alone was $80,000 in 1934, a task that involved the preparation of 6,300 separate information returns.

It would be hazardous, from one example, to attempt an estimate of how much the supplying of supervisory information costs all banks, but it might be fair to assume that this is a fair sample, proportionately, for trust companies operating in the state in which the bank is located. And it also seems fair to say that many of the regulatory authorities have realized the enormous duplication of effort, the needless expense, and other features of the burden. The task of simplification, started last May at a conference in the Washington offices of the Federal Deposit Insurance Corporation, is receiving the cooperation of such Federal agencies as the Reserve Board, the Comptroller, the Reconstruction Finance Corporation, the Treasury, and the F.D.I.C., as well as the Reserve City Bankers Association, National Association of Bank Auditors and Comptrollers, American Bankers Association, and National Association of Supervisors of State Banks. Completion of the work may mean that the number of reports required from the bank referred to in this article can be reduced by 80 per cent.

THE "DIARY"

HOW is the detail involved in preparing so many reports handled efficiently and promptly by this bank? The black book helps, for it sets down the whole procedure in skeleton form. Also, there is the "diary", which is just what the name implies. It is a schedule kept by one man in the department of 15 persons, and in it he enters the date each report is due, the date work on it should commence, and when it should be finished. A careful check is maintained on the progress of each job, for the reports must be filed on time; there are imposing penalties for lateness.

Many of the forms, particularly those covering special information, must be prepared by the bank, and this means a vast amount of work in determining items and drafting a report sheet that will adequately present the desired data.

55 Cents

IT is hardly necessary to remind banking institutions—or business corporations—of the intricacies and expense of tax return preparation, especially for banks that do an interstate business. The complications attendant thereon are well illustrated by recalling the experience of a trust company which had one trust in a western state and therefore came under that state's tax jurisdiction. In order to meet the legal requirements of the commonwealth, and at the same time protect itself against possible contingencies, the institution went through all its accounts to see what income it had that might be taxable in the state. It found it owed a bill of 55 cents. The work of getting that information cost the bank $1,000.

Below is a tabulation of the reports which the bank referred to in this article must handle

Report Rendered to	*Title of Report*	*Filing Date*	
Federal Reserve Bank	Daily Report to the Federal Reserve Bank	Daily—before 10 A.M.	
Federal Reserve Bank	Report of Net Demand and Time Deposits	Weekly—Monday	
Federal Reserve Bank	Weekly Condition Report	Weekly—Thursday	
Clearing House Association	Statement of Deposits	Weekly—Saturday	
Clearing House Association	Weekly Report to Clearing House	Weekly—Saturday	
State Banking Department	Weekly Statement	Weekly—Saturday	
Federal Reserve Bank	Report of Physical Shipments of American Currency	Monthly—first day	
Clearing House Association	Monthly Statement of Condition	Monthly—Thursday before 4th Monday	
State Comptroller	Monthly Report of Bank Balances, State Deposits	Monthly—first day	
Collector of Internal Revenue	Return of Tax on Leases of Safe Deposit Boxes	Monthly—last day	
Superintendent of Banks of State of Ohio	Bi-Monthly Report of Uninvested Trust Funds	Bi-monthly—F-A-J-A-O-D	
Federal Reserve Bank	"Call" Statement of Condition	Quarterly	
Clearing House Association	Statement of Condition	Quarterly	
Clearing House Association	Capital Stock, Surplus and Undivided Profits Figures	Quarterly	
State Banking Department	"Call" Report of Condition	Quarterly	
State Banking Department	Publisher's Certificate of Publication of "Call" Report of Condition	Quarterly	in: —Jan.
Department of Taxation and Finance (State)	Statement of Condition	Quarterly	—Apr.
Bank Commissioner of State of Arkansas	Report of Reserve Agents for Arkansas State Banks and Trust Companies	Quarterly	—July —Oct.
Superintendent of Banks of State of Ohio	Report of Condition of Ohio Trusts Only of Trust Department	Quarterly	
Superintendent of Banks of State of Oregon	Report of Condition	Quarterly	
Federal Reserve Bank	Report of Earnings and Dividends	Semi-annually, Jan. & July	
Tax Commissioner of State of Idaho	Annual Information Return	Annually—March	
Tax Commissioner of State of Idaho	Foreign Corporation Income Tax Return	Annually—March	
Secretary of State of State of Idaho	Annual Statement of Foreign Corporations	Annually—August	
Secretary of State of State of Illinois	Annual Franchise Tax Report	Annually—February	
Auditor of Public Accounts of State of Illinois	Annual Report of Trust Department	Annually—January	
Auditor of Public Accounts of State of Illinois	Text of Report of State Supt. of Banks and Examiner's Report of Condition	Annually—after Supt. Exam.	
Commissioner of Corporations and Taxation of State of Massachusetts	Foreign Corporation Excise Tax Return	Annually—April	
Department of Banking and Insurance of State of New Jersey	Report of Condition	Annually—January	
State Banking Department	Report of Unclaimed Deposits, Interest and Dividends	Annually—September	
State Banking Department	Affidavits of Publication of Unclaimed Deposits	Annually—September	
Commissioner of Banks of State of North Carolina	Text of Report of State Supt. of Banks and Examiner's Report of Condition	Annually—after Supt. Exam.	
Superintendent of Banks of State of Ohio	Application for Renewal of Certificate of Authority	Annually—September	
Tax Commission of State of Ohio	Annual Report of Foreign Corporation	Annually—March	
Commissioner of Banks of State of Texas	Report of Examination of State Superintendent of Banks	Annually—after Supt. Exam.	
State Treasurer (also Commissioner of Taxes) of State of Vermont	Annual License Tax Return	Annually—February	
Auditor of Accounts of State of Vermont	Duplicate Receipt for Payment of Annual License Tax	Annually—March	
Secretary of State of State of Vermont	Application for Extension of Certificate of Authority	Annually—March	
Auditor of Accounts of State of Vermont	Duplicate Receipt for Payment of Fee for Filing Application for Extension of Certificate of Authority	Annually—April	
Commissioner of Taxes of State of Vermont	Report Showing Shareholders	Annually—April	
Department of Commerce, Washington, D. C.	Annual Questionnaire on International Movement of Short Term Funds	Annually—January	
Department of Commerce, Washington, D. C.	Questionnaire on Stks. & Bds. Internationally Transf'd thru Sec. Markets	Annually—January	
State Tax Commission	Returns of Information at Source	Annually—April	
State Tax Commission	Returns of Tax Withheld at Source	Annually—April	
State Tax Commission	Return of Income of Banks, Trust Co.'s etc. (Franchise Tax)	Annually—September	
Collector of Internal Revenue	Corporation Income and Excess-Profits Tax Return	Annually—March	
Collector of Internal Revenue	Annual Return of Income Tax to be Paid at Source	Annually—March	
Collector of Internal Revenue	Return of Capital Stock Tax	Annually—July	
Commissioner of Internal Revenue, Washington	Annual Information Returns	Annually—February	

The Month

A great deal of old-fashioned oratory — candidates, issues, demagogic appeals, economic theories and some common sense — went into full production this month, a little earlier than usual in a presidential year. The artist who drew this cartoon (in the New York *Daily Graphic*) in 1877 didn't foresee the half of it

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TERRORS OF THE TELEPHONE—THE ORATOR OF THE FUTURE.

FROM CULVER SERVICE

The Condition of BUSINESS

SPRING. Steady progress, extending for the first time along the entire business front, is in prospect the next few months. Practically all lines of commerce and industry are making their plans in expectation that the current advance will continue. Not since recovery became an accepted fact has the forward movement spread so completely into all parts of the country and into all branches of business, including the laggard capital goods sector. The pessimists, with an amazingly strong set of arguments on their side, have been routed for the present.

REVIVAL OF HEAVY INDUSTRIES. There are several considerations with respect to the present phase of industrial revival that merit special attention. One is the transition that has taken place from a somewhat impatient anticipation of business profits reflected in the stock market to the less spectacular but fundamental purchasing of goods and expansion of plants. Moreover, any progress back to normal conditions in the heavy goods industries brings the recovery picture into better balance. Business recovery thus far has been largely in consumers' goods. Much of this has been the result of artificial stimuli, chiefly Government spending, and there has been some well founded skepticism as to whether the improvement was either fundamental or permanent.

BACKLOG OF DEMAND. An impelling reason for the increased activity in capital goods has been the huge backlog of demand resulting from years of obsolescence, the need for replacements and the necessity for adopting new and improved equipment in order to lower manufacturing costs. The imperative need of capital goods is such as to overcome whatever qualms the average business man may feel about Government policies, Government finances, prospective high taxes and other causes of uncertainty. It is this great unsatisfied demand which is chiefly responsible for the improved outlook in those lines of industrial activity upon which ultimate business recovery and the elimination of unemployment depend.

IDLE BANK CREDIT AND CHEAP MONEY. Improvement in the industrial outlook is being financed very largely by cash rather than by borrowing. Bank loans for industrial purposes show little rise, new corporate public issues continue in small volume, and in every other way industry shows a disposition to rely upon its own resources. All this is in the face of lowering rates of interest and heavy pressure of unused bank and other investment funds seeking employment and of rising prices of both stocks and bonds.

CREDIT INFLATION. Anxiety about possible credit inflation is an important part of the present business picture. Corporate funds are going into industrial equities—their own. The stock market itself in all probability reflects this general character of investment by the predominance of cash as compared with marginal dealing through bank or brokers' loans.

Capital in general is turning to investment in industry, even at a time of small or no immediate returns, as the best means of protecting itself from loss through an inflation of credit for which the foundations have been laid by Government spending and the Government's fiscal policy. As between the risk of long term investment in industry under present conditions and the risk of possible or probable inflation, capital is choosing the former. It is evident that there are both confidence and fear in the motives which are now governing business, although the pressure of funds on the market is probably dominant. Also there is an increasing conviction that business revival is too strong to be halted.

EXCESS RESERVES. If nervousness about credit inflation is responsible for some of the revival in industrial lines it is by no means a constructive factor in the banking and financial situation. There is room for a difference of opinion as to how far the element of anxiety is responsible for current buoyancy of the stock market, but the danger of a misuse of present available credit can hardly be disputed. The state of banking opinion on the subject is reflected in the recommendations of the Federal Advisory Council in its February meeting, substantially repeating those of the Council last November. At that time it urged that steps be taken to reduce the excess reserves of member banks and bring the available volume of bank credit within reasonable control.

Particular Earning Assets as Percentages of Total Loans and Investments

(Weekly Reporting Member Banks in 101 cities as of February 5; 000,000 omitted)

	Total	*Boston*	*New York*	*Philadelphia*	*Cleveland*	*Richmond*	*Atlanta*	*Chicago*	*St. Louis*	*Minneapolis*	*Kansas City*	*Dallas*	*San Francisco*
Loans and investments—Total	$21,023	$1,122	$8,881	$1,145	$1,740	$615	$507	$2,877	$611	$370	$605	$432	$2,118
Loans on securities	(14.8)	(15.8)	(20.4)	(14.9)	(13.1)	(11.4)	(10.3)	(8.5)	(10.9)	(8.7)	(7.9)	(9.8)	(8.5)
To brokers, etc., N. Y.	4.2	.4	9.8	.8	....	....	....	....	....	....	.3	....	.1
To outside N. Y.	.8	2.2	.7	1.3	.7	.3	1.0	1.1	.8	.3	.3	.5	.5
To others (except banks)	9.8	13.2	9.9	12.8	12.4	11.1	9.3	7.4	10.1	8.4	7.3	9.3	7.9
Acceptances and commercial paper	1.7	4.0	1.9	1.9	.2	1.1	1.0	1.0	1.8	2.7	4.5	.5	1.2
Loans on real estate	5.4	7.6	2.7	5.8	10.9	3.4	4.1	2.3	6.2	1.6	2.5	4.9	17.4
Loans to banks	.3	.3	.4	.3	.3	....	.2	.3	1.1	....	.8	....	.1
Other loans	15.6	25.2	14.0	14.7	10.2	16.6	26.2	12.3	17.2	32.7	21.3	28.2	16.7
U. S. securities	41.4	30.9	41.0	26.6	47.0	48.6	36.3	58.3	37.2	38.9	36.0	34.3	32.9
Securities guaranteed by U. S.	5.6	1.7	5.1	9.9	4.1	6.8	7.3	5.0	9.5	3.8	7.3	11.3	6.5
Other securities	15.1	14.4	14.6	25.9	14.3	12.0	14.6	12.2	16.0	11.6	19.7	11.1	16.9
Ratio of total net primary reserves to net demand deposits—Per cent	28.2	39.6	28.8	23.3	26.2	28.4	21.7	28.1	26.5	29.3	24.5	25.0	22.8

BOARD OF GOVERNORS. The Reserve Governors are alive to the potentialities of the situation. This was demonstrated by their action in increasing the System's deposits with the Federal Reserve banks rather than in commercial banks and stiffening the margin requirements on security loans. The disposition of the new Governors to go further in the matter is problematical, however, and it is possible that there will be no further action unless and until there is more definite indication that the use of credit for speculation is getting out of hand. So far there is no sign that the availability of so much credit is stimulating speculation or anything else. Moreover, in any policy the Governors may ultimately adopt, the borrowing necessities of the Federal Treasury will be considered.

SMOKE OVER BIRMINGHAM. There is still some tendency to glance uneasily at the calendar and observe that this is the year of a presidential election. There is a tradition or a superstition that business is invariably hesitant while the country decides on a sovereign. This is not more than 50 per cent true. A recent editorial in the *Age-Herald* of Birmingham, Alabama, expressed the thought in this way:

"So powerful is the acceleration that it would appear that the usually retarded influence of election year, the budgetary uncertainties and all the various other problems will be swept aside in a continuing and irresistible forward progress.

"This smoke over Birmingham seems certain to be here for a long time to come and likely to grow decidedly thicker as Spring comes on."

STEEL, MOTORS, MACHINE TOOLS AND RAILWAYS. The steel companies, for example, announce plans for the modernizing of their plants to the amount of over $100,000,000 more than last year or a total of approximately $240,000,000—modernization, not an increase in plant capacity. The motor car companies announce plans for projects calling for an outlay of upward of $100,000,000. They involve some degrees of expansion but the emphasis is upon plant modernization with a view to reducing manufacturing costs. The machine tool trade—that prime barometer of industrial prospects—reports increasing orders at prices ranging from 10 to 15 per cent above those obtaining last Autumn, reflecting plant rejuvenation among hundreds of small industries. Machine tool sales in January were 22 per cent above those in December, which in turn was the climax of months of improvement. Improved railway earnings are reflected in increasing orders for equipment and plant betterment. Class I railroads earned a little more than a half billion dollars in 1935. That is the largest net operating income since 1931. Also, railway passenger revenues rose in 1935 to the highest level in three years.

CONSTRUCTION contracts so far this year have run more than 100 per cent above those of the same period last year with assurance that the improvement will continue. Home construction is expected to be practically double that of last year and promises increased trade in all sorts of household furnishings as well as in construction materials. Manufacturers of floor coverings, for example, estimate their sales during the current year at $115,000,000, basing their forecast on orders taken at the annual Winter Mart in Chicago. This compared with sales amounting to $95,000,000 during last year. Electric refrigerator manufacturers expect their sales to reach a value of well toward $300,000,000 this year as compared with $250,000,000 in 1935.

BELLWETHERS. It must be considered in measuring present with past industrial activity that while industrial production as a whole is below normal, chiefly as a result of the lag in the heavy goods industries, there are some lines of activity which have reached new high points. For example, wool consumption during 1935 was the largest in any peace year in this country; so also shoes, cigarettes, electric power, gasoline, electric lamps, washing machines, radios, rayon, and plate glass.

INDUSTRIAL YOUNGSTERS. Among new products which achieved high records were electric refrigerators, air conditioning equipment, oil burners and mechanical stokers, air transport and doubtless many minor novelties. New industries, new products, changing taste, improved appliances in many lines and all sorts of new factors are now to be taken into consideration. They more than balance lethargy in some of the older industries, even those lines once considered important in the industrial world.

Present business activity should not be compared with the 1923–1925 average or the average of 1926 in view of the fact that the population of the country in the intervening period has increased by approximately 10 per cent and business volume in staple lines ought to increase at least in proportion. The question is strictly a present one—to attain a proper balance between the supply and demand of capital, labor and commodities. This has less to do with the past than with the present and immediate future. Such a balance has not been reached but there are indications that the country is gradually moving toward it.

INCOME TAXES AND DEFICITS. March 15, 1936, is the date on which tax returns covering the income of individuals and corporations for the year 1935 must be filed and at least a portion of the tax paid into the Federal Treasury. It is also the date on which the Treasury in Washington probably will inaugurate its program for raising at least $11,500,000,000 to cover outlays for refunding and new expenditures within the following 15 months.

The amount of money which the Government is to receive in taxes in March and on subsequent tax due dates governs the amount of money which the Treasury must raise by issuing new securities. Probably there will be no attempt to raise more than a comparatively small portion of increased expenditures arising from the soldiers' bonus payments, the new farm aid bill and the unknown cost of relief.

THE GOLDEN EGGS. The indisposition of Congress to increase taxes in any way commensurate with the demands upon the Treasury has been accepted as a matter of course. The implication, however, is that the new Congress next year will be called upon to do so and already Treasury experts are figuring out how it can be done and how many golden eggs can be garnered without killing the goose. One thing seems certain and that is that any new levies will hit the little fellow for the simple reason that the money cannot be obtained in any other way. The additional income will probably come from an increase in normal taxes on middle register incomes and on inheritances, a lowering or abolishment of exemptions on the middle class incomes and probably a general sales tax.

HIDDEN TAXES. The amount of money to be drawn from the taxpayers of the country from 1937 onward indefinitely is likely to break all records for this country in peace time. At present taxes collected by the Federal Government are close to the highest amount since immediately after the World War and thus far in the current fiscal year they are in excess of the amount collected in the corresponding period of the fiscal year 1929.

THE ALMOST UNCONSCIOUS TAXPAYER. Since the far greater proportion of these taxes are hidden from the tax-

payer, who may feel ill but not know what is the matter with him, it can readily be understood how Congress has been willing to add to this burden by lavish appropriations. It is easy because the victim is unconscious of what is going on. When the full realization of the tax drain upon the country is understood there will be a different attitude toward governmental spending.

Particularly is this certain to be the case when the increased levies next year (now admitted by the most aggressive defenders of governmental extravagance to be unavoidable), are added to the present burden. Even without further increase in public expenditures and the public debt the country faces an indefinite period of taxation higher than it ever had paid before. The only alternative is currency inflation which, in the long run, would be much more costly.

CONGRESSIONAL NOSTALGIA. The big issue in Congress is yet to be formally presented by the Administration in its proposals for unemployment relief for the next fiscal year. The understanding is that this will not be done until about a month before the session is expected to end—partly because by that time a better view of the prospect can be had and partly because the matter can be disposed of more quickly when the legislative decks have been cleared for action. Thus the session gets back to its essential quality—preeminently occupied with financial matters in which Congress is proceeding with an uncertain step toward uncertain ends. For the present, at least, "must" legislation in the national capital is a case of "must" get through as soon as possible and go home.

Aside from the soldiers' bonus act the principal items of proposed legislation are corrective and supplementary. A substitute method of paying money to farmers is to take the place of the discarded A.A.A., although many of its congressional sponsors frankly admit that it is open to the same constitutional doubts as its predecessor.

STRENGTH IN BOND MARKET. In the general and perhaps increasing fear of the results of a too easy money situation it is quite simple to find an explanation for the trend toward rising prices of common stocks without finding an explanation for the continued strength in bonds. The bond market continues on even keel despite the soldiers' bonus and a prospective deficit for the next fiscal year of around $5,000,000,000. One reason is that the chief pressure of unused funds upon the market is from the banks.

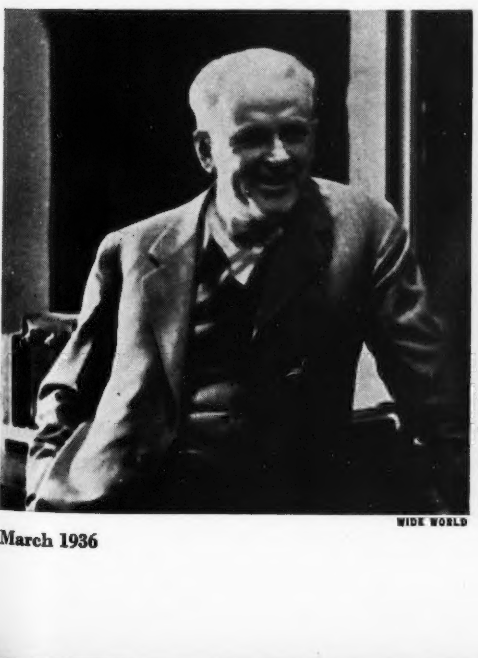
Banks cannot buy stocks; they can and, in the absence of other investment outlets, must buy bonds. Between December 31, 1934, and November 1, 1935, adjusted time and demand deposits of member banks in the Reserve System increased by $3,489,000,000. Their loans decreased by $187,000,000 and their investments increased by only $1,337,000,000 or a net increase in loans and investments of $1,150,000,000. Their required reserves increased by $356,000,000 and the rest of the difference between total deposits and loans and investments pressed upon the market as similar funds are still pressing upon it.

NEW FINANCING. In January new financing amounted to $410,824,204, as compared with $457,366,911 in the month before. New capital issues accounted for 27 per cent of the total, against 38 per cent in the previous month. In spite of the decline in the total figure, corporate financing advanced to $273,907,490 from $167,354,913.

It is interesting to note that the railroad and steel industries accounted for $221,268,500 of the month's financing. Following as it does the recent recovery in these industries, it is likely that the recovery in other fields will soon give rise to larger appeals to the capital markets. The pick-up in railroad financing is particularly encouraging. As it comes on the heels of a marked increase in railroad carloadings which is expected to continue, the capital markets can look for a larger volume of financing from this direction.

FUTURE OF SCIENCE AND INDUSTRY

At the left, Dr. Robert A. Millikan. Right, Edward R. Stettinius, Jr., chairman of the Finance Committee of the United States Steel Corporation, and Nelson Rockefeller beside an early model of the "gasoline buggy" on display in the New York Museum of Science and Industry. On the occasion of the Museum's recent opening Dr. Millikan, speaking on the radio from Hollywood, California, said: "The future of science and industry is bright for us if we can have stable, rational government, led by high-minded, informed, experienced and rational men. Otherwise the future of American science, American industry and American civilization is not bright"



WIDE WORLD

MCNUTT

SOUTHERN CONFERENCE ON BANKING SERVICE

THE Southern Conference on Banking Service takes place in the Peabody Hotel, Memphis, Tennessee, on Thursday and Friday, March 26 and 27. This Conference is the second in the National Program of Banking Development arranged by Robert V. Fleming, President of the American Bankers Association. The first, serving the eastern states, was held in Philadelphia, January 23 and 24, and a third, for the Middlewest, is scheduled for Chicago, April 2 and 3.

Three general sessions, six departmental forums and an informal dinner have been arranged for the Memphis Conference. The group meetings, equally divided between Thursday evening and Friday afternoon, will consider problems related to bank protection and insurance, constructive customer relations, facilitating farm credit, commercial banking, publicity and advertising, and savings.

The full program follows:

GENERAL SESSIONS, PEABODY HOTEL BALL ROOM

Thursday, 9:30 A.M. Call to order by L. A. Thornton, vice-president, National Bank of Commerce, Memphis; *A Nation-wide Program of Banking Development*, President Robert V. Fleming; *Banking Regulations with Special Reference to Rules and Regulations of the Federal Reserve Board*, W. F. Gephart, vice-president, First National Bank in St. Louis; *Customer and Public Relations*, William H. Neal, vice-president, Wachovia Bank & Trust Company, Winston-Salem, North Carolina.

Thursday, 2:15 P.M. Call to order by President Fleming; *Bank Crime Protection*, Haynes McFadden, secretary, Georgia Bankers Association, Atlanta; *Bank Investments*, Robert Strickland, executive vice-president, Trust Company of Georgia, Atlanta; *Science and Problems Involved in Mortgage Lending*, Philip A. Benson, president, Dime Savings Bank of Brooklyn, Brooklyn, New York; *Bank Earnings—Positive and Negative*, Francis Marion Law, president, First National Bank, Houston, Texas.

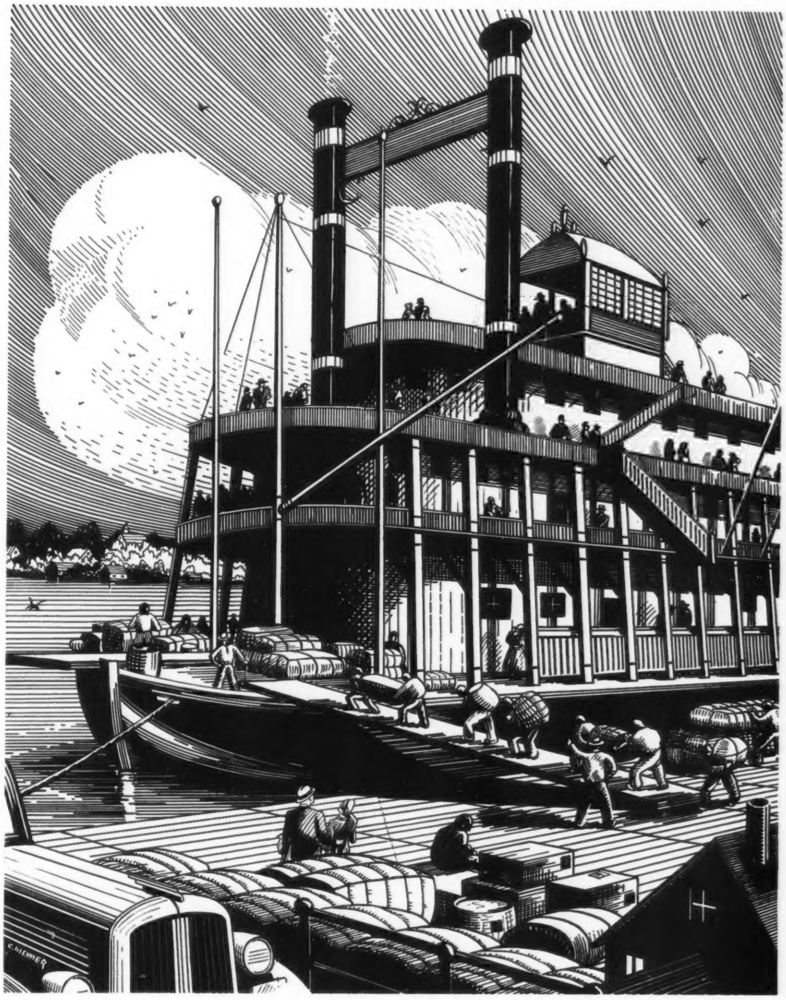
Friday, 9:30 A.M. Call to order by President Fleming; *The Bank's Responsibility for Its Trust Department*, Gilbert T. Stephenson, vice-president, Equitable Trust Company, Wilmington, Delaware; *Sound Public Policy in Chartering Banks*, M. D. Brett, State Comptroller, Department of Bank Supervision, Jackson, Mississippi; *Bank Taxation*, Charles H. Mylander, vice-president, The Huntington National Bank, Columbus, Ohio; *New Credit Fields for Banks*, A. G. Brown, president, Ohio Citizens Trust Company, Toledo, Ohio.

DEPARTMENTAL FORUMS, 7:45 P.M. THURSDAY

BANK PROTECTION AND INSURANCE (held in Room 200, Peabody Hotel). Call to order by E. A. Wrieden, vice-president, Union Planters National Bank & Trust Company, Memphis; *Internal Auditing Procedure and Control*, leader, J. W. Massie, auditor, Republic National Bank & Trust Company, Dallas, Texas; *Beating the Bank Bandit*, leader, Marion Wasson, Bank Commissioner, Little Rock, Arkansas; *Adequate Insurance the Final Safeguard*, leader, H. Grady Huddleston, secretary, Tennessee Bankers Association, Nashville.

CONSTRUCTIVE CUSTOMER RELATIONS (held in the Ball Room). Call to order by Dr. Harold Stonier, Educational Director, American Bankers Association; *The Constructive Customer Relations Conferences and Our Banks*, leader, A. Key Foster, assistant trust officer, Birmingham Trust & Savings Company, Birmingham, Alabama; *Constructive Customer Relations for Smaller Banks*, leader, Fred M. Bowman, secretary, Kansas Bankers Association, Topeka; *What People Ask Me About Banks*, leader, T. S. Wiggins, National Bank of Commerce, Memphis; *How Institute Chapters Are Helping in Public Education Programs and Constructive Customer Relations Activities*, leader, Richard W. Hill, secretary, American Institute of Banking, New York City.

FACILITATING FARM CREDIT (held in Room 210). Call to order by H. Lane Young, executive manager, Citizens & Southern National Bank, Atlanta; *Soil Erosion and Farm Credit*, leader, Carl Hollis, president, Merchants & Planters Bank, Warren,



"Mississippi Waterfront", drawn for this month's cover of BANKING by Charles Perry Weimer

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Arkansas; *Government and Farm Credit: Extent of Cooperation with Bankers*, leader, W. S. Elliott, vice-president, Bank of Canton, Canton, Georgia; *Extent of Competition with Bankers*, leader, C. W. Bailey, president, First National Bank, Clarksville, Tenn.

DEPARTMENTAL FORUMS, 2:15 P.M. FRIDAY

COMMERCIAL BANKING (held in the Ball Room). Call to order by P. D. Houston, chairman of board, American National Bank, Nashville; *Bank Earnings and Expenses: Loan Policies*, A. L. M. Wiggins, president, Bank of Hartsville, Hartsville, South Carolina; *Investment Practices and Procedure*, J. Harvie Wilkinson, Jr., vice-president, State-Planters Bank & Trust Company, Richmond, Virginia; *Interest on Deposits*, W. S. Elliott, vice-president, Bank of Canton, Canton, Georgia; *Service Charges*, Alfred G. Kahn, president, Union National Bank, Little Rock, Arkansas; *Instalment Financing and Personal Loans*, E. S. Woosley, vice-president, First National Bank, Louisville.

PUBLICITY AND ADVERTISING (held in Room 200). Call to order by Gurden Edwards, Director of Advertising and Publicity, American Bankers Association; *What People Expect of the Banks*, leader, Fred W. Ellsworth, vice-president, Hibernia National Bank, New Orleans; *Customer Relations Plus Public Relations*, leader, Charles H. Wetterau, vice-president, American National Bank, Nashville; *The Advertising Services of the American Bankers Association*, leader, Merle E. Selecman, Assistant Director of Advertising and Publicity, A. B. A.

SAVINGS (held in Room 210). Call to order by Philip A. Benson, president, Dime Savings Bank of Brooklyn; *Personal Loan Departments in Banks*, leader, E. F. Longinotti, vice-president, Union Planters National Bank & Trust Company, Memphis; *Investments*, leader, John G. Potts, vice-president, W. B. Worthen Company, bankers, Little Rock; *Operating a Savings Department in a Commercial Bank*, leader, Noble R. Jones, savings manager, First National Bank in St. Louis.

SUBSCRIPTION DINNER MEETING

At an informal dinner, held in the Peabody Hotel Friday evening, the speaker will be H. C. Couch, president, Arkansas Power & Light Company.

ACME

Government Banking

Washington, D. C.

PERHAPS the wish is father to the thought in the expectation that the President's recent order to lop off all unused, Government credit agency allotments means a turn from spending to collecting and the conversion of many of these "instruments of the Government" to assets rather than liabilities from a budget viewpoint. Certainly the time is ripe for such a change both in the end for which many such agencies were constituted and in the country's general credit situation.

EXTENDIBLE CREDIT

Of the $9,174,870,135 of loans, subscriptions to preferred stock and the like, outstanding as assets of these concerns on January 1, $5,966,791,035 were those of the R.F.C., the H.O.L.C., and the Federal Farm Mortgage Corporation. The F.F.M.C. could put out credit in the amount of $2,200,000,000 and the H.O.L.C., $4,950,000,000. The extendible credit authority of the R.F.C. for certain specified purposes probably amounts to $2,500,000,000 above its present outstanding total of $2,311,641,270. Most of this will never be used even without any presidential limitation, since the purposes for which the authority was given have either been attained or become no longer necessary or advisable in the Government's program.

Making due allowance for this fact, there seems to be a possible limit of credit for these agencies of substantially $12,000,000,000, or at least $2,750,000,000 above the credit they have actually put out. The H.O.L.C. has practically completed its mortgage refunding campaign although perhaps $300,000,000 or thereabouts is yet to be brought to book. How much of the fund of $400,000,000 allotted for pushing the organization of Federal savings and loan associations will yet be used is questionable, but it seems certain that all of this fund will not be called for. It was indicated in these columns nearly a year ago that at least a billion dollars of the total credit the H.O.L.C. could advance would not be used and that figure now appears to be below the actual limit.

The Farm Mortgage Corporation also has practically completed the mortgage refinancing for which it was established and had used $1,623,661,448 of its $2,200,000,000 fund up to the first of the year. From now on its outlays will be solely for Land Commissioner loans which, under the limit fixed by law, will end in four years. These loans have been gradually decreasing in number and amount, but it is still uncertain whether there will be any margin between the total and the limit. The R.F.C. can not only prevent its outstanding credit from further increasing but it can also materially and rapidly reduce that amount if it is permitted to do so.

PERMANENT AGENCIES

In short, billions of possible credit can be lopped off, but this means little unless it portends the lopping of at least several hundreds of millions of actual credit; and in this matter it should again be pointed out that most of the credit of Government agencies now outstanding has been put out by permanent institutions. The above figures do not include approximately $2,500,000,000 of permanent credit outstanding in the farm credit agencies other than the F.F.M.C. or in the home loan banks and other permanent agencies. The

THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Seated, left to right: Ralph W. Morrison of Texas, Chairman Marriner S. Eccles of Utah, Ronald Ransom of Georgia, M. S. Szymczak of Illinois; standing: John McKee of Ohio, Joseph A. Broderick of New York

H.O.L.C. and the F.F.M.C. are more or less permanent concerns inasmuch as their liquidation will require from 15 years upward. The R.F.C. also has substantially a decade yet to run. There need be no expectation that outstanding Government credit will decrease rapidly, if at all. Perhaps it is important, however, that it is not to increase further for an indefinite length of time.

In considering these figures a careful distinction must be made between appropriations or allotments and expenditures—a distinction which surprisingly few Government officers themselves make in considering the financial position of the Treasury. It is not appropriations but expenditures which cause deficits. In the allowances for the ordinary expenses of the Government, appropriations and expenditures are practically synonymous since probable expenses are carefully calculated and the various departments are held to outlays which are considered absolutely necessary; the result is that most of them have less funds than they really can use and use all they have.

In the calculations for relief agencies, both in credit and the dole under its various guises and aliases, however, close calculation has been impracticable. Most efforts in this line have been experimental and the disposition of Congress and the administrative authorities has been to overestimate rather than underestimate costs. In any event the disposition has been to see to it that none of the relief agencies has been cramped by congressional niggardliness. The overestimates in credit agencies as outlined above are small as compared with those for relief agencies.

EIGHTEEN BILLIONS

Up to December 31, 1935, appropriations for recovery and relief, not including such items as bond issues put out by the H.O.L.C., the F.F.M.C. and similar agencies, totalled $18,311,462,415. After catching one's breath following a grasp of that figure one may read in the Treasury's daily statement that of these total appropriations, $9,827,695,784 was expended in the fiscal year 1935 and previous years and $2,198,307,666 in the half of the current fiscal year ending in December—a total of $12,026,003,450. This amount, of course, is quite enough but nevertheless it leaves $6,285,458,965 or over one-third of the appropriations yet unused. Expenditures during the remainder of the current fiscal year will cut this balance by at least $2,000,000,000 and perhaps more, but there will still remain a margin of $4,000,000,000 or so which may or may not be expended. Some of the projects for which appropriations were made have already lapsed. It is unlikely that P.W.A. loans and grants to states for public works will ever be used by perhaps $700,000,000. Appropriations for various housing enterprises will certainly never be used in anything like the allowances made by perhaps a $100,000,000 margin. Nevertheless some of the funds not used will doubtless be, as they already have been in many cases, allotted to other enterprises.

The Government is now trying to get all these odds and ends together, subtract from some and add to others, and work them into something approaching a coordinated whole. This will not reduce expenditures but it may place a more definite limit to them in some lines. "Cancellation," says Chairman Jesse Jones of the R.F.C., "is intended to keep us from doing what we might otherwise do." For the relief and credit program as a whole that is certainly something in itself. Unfortunately, however, cancellation will exercise no similar inhibition upon Congress. Nor will it limit in any way the credit put out by the permanent Government credit institutions.

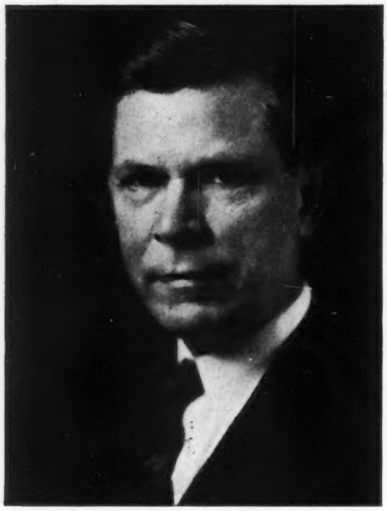
"RECOVERABLE ASSETS"

Next to the limitation of further credit from Government agencies is the question of how much outstanding credit can be reduced and how much the Treasury will recover from the credit already put out. Much has been said with respect to these "recoverable assets" of the Government, the intimation being that the recoveries will materially reduce the public debt. This is true to some extent but hardly to the degree that the total of outstanding investment in the credit agencies would indicate. The total assets of all these agencies as of January 1 last was $11,669,686,238, of which $3,563,666,670 was of agencies wholly financed by the Government and $8,106,019,568 of agencies partly financed by the Government.

The latter include the Farm Credit Administration's system of institutions, the home loan banks and the Home Loan Bank Board's subsidiaries, the F.D.I.C. and a few small concerns. Because of their large mortgage holdings these institutions loom overwhelmingly in the general picture, but the Government's direct investment in them amounts to only $1,157,349,338 while its investment, or rather its proprietary interest, in the group wholly owned is larger—$3,251,951,907—although the total assets are smaller. Nearly two-thirds of such assets are those of the R.F.C. These do not include any of the funds paid out by the R.F.C. for relief or other purposes, including subscriptions to stock in other Government corporations.

Of the $4,409,301,245 "recoverable assets" in these institutions, however, a total of $833,161,884 is invested in permanent credit institutions which may or may not pay dividends but which in any event are not "recoverable" in the sense that they can be liquidated and the proceeds applied to a reduction of the public debt. These institutions include the Federal Deposit Insurance Corporation, the Federal savings and loan associations, the Export-Import banks, the Federal Savings and Loan Insurance Corporation, the home loan banks, the banks for cooperatives, the intermediate credit banks, the production credit corporations and the Panama Railway Company. The last named pays a fair dividend. On the other hand, the F.D.I.C. investment is frozen with no returns even promised. All things considered, it may be regarded as satisfactory if these agencies as a group pay operating expenses while the Government carries the burden of interest on the money that has gone into them.

Probably in time the Government will recover its investment of a quarter of a billion dollars in the land banks and of $200,000,000 in the Farm Mortgage Corporation. The H.O.L.C. has already impaired its capital to the amount of about $35,000,000 although some and perhaps all of this may be recovered. There is over a third of a billion dollars in all sorts of other agencies whose liquidation without material loss is problematical. In this general group of concerns,



P. D. Houston, chairman of the Board of the American National Bank, Nashville, heads a committee of the American Bankers Association which has conferred with the Federal Reserve authorities on prospective Federal control of bank credit used in the purchase of securities on stock exchanges

whose pay-out from the Government standpoint is doubtful, a total of over $850,000,000 is invested.

EMERGENCY AGENCIES The greatest interest, and the greatest question in the matter of recovery of investment, is in the class of concerns which in theory are to be liquidated as soon as the national emergency has passed. This class represents investments amounting to $2,725,754,966 (the R.F.C. leading with $2,049,033,-453) and including the Commodity Credit Corporation with $278,612,023; the Public Works Administration with $177,-362,600; the United States Shipping Board with $160,169,-783; the regional agricultural credit corporations with $45,568,115, and several smaller concerns.

There is little doubt that the R.F.C., if let alone, will pay out, possibly with a small margin. The Commodity Credit Corporation naturally will lose considerable money—has already really lost it in the cotton and corn loans. The P.W.A. is paying out so far as its loans to states and municipalities are concerned, since it seems to have no difficulty in disposing of its public works securities to the investing public through the R.F.C. The regional agricultural corporations will also pay out, or come close to it. Shipping Board loans may be considered good if the mail contracts are continued or succeeded by ship subsidies. This group is the largest and, on the whole, the most promising of the lot. Actual recoverable assets may reach $2,500,000,000. But it will take from 5 to 20 years to do the job.

Meanwhile the Government must pay interest on the money it has borrowed to establish these concerns. Such, indeed, is the situation with all of them. Roughly, about a fifth of the money represented by these recoverable assets is permanently frozen with slight income. Probably not more than 10 per cent of the balance is definitely bad, but with the exception of a considerable part of R.F.C. assets they are all slow.

Money from some of them will be coming in two generations from now if it comes at all. Only if, as, and when these concerns are liquidated will there be any material reduction in the amount of Government credit used for private purposes. On the other hand, the permanent Government credit institutions are steadily increasing their part in financing the industry, commerce, and agriculture of the nation.

BANKABLE LOANS One cannot contemplate the mass of more easily recoverable assets of the R.F.C. without a feeling that there must be a very large proportion of its loans which are bankable or which can, with a little effort, be made bankable, and that a conversion of these Government loans into bank loans would get the Government out of banking. How far the corporation's outstanding railway loans of $396,249,861 as of January 1 and the $175,766,000 of additional railway loans it has promised could be worked into sound bank investments depends largely upon railway reorganization, although current railway refunding would seem to demonstrate that some of the loans held by the corporation can be readily absorbed by the banks, either as loans or investments, if a reasonable rate of interest can be agreed upon.

Authorities of the American Acceptance Council through Robert H. Bean, executive secretary, are proposing that banks take over the cotton loans of the Commodity Credit Corporation up to 80 per cent of their face value, the Government or the corporation to carry the balance. There is a little over $260,000,000 of these loans outstanding. With the cost of carrying the cotton—steadily increasing the Government's loss on its 12½ cent loans on the staple—already around two cents a pound, it would appear that the sooner the Government takes its loss the better.

In the meantime there seems to be no reason why banks could not or should not do the financing. Through acceptances they could do this for less than the commodity corporation's loans are now costing the Government, and could do it at a profit. Loans of the R.F.C. for self-liquidating construction projects would seem to offer some opportunity for bank investments if the experience the P.W.A. and the R.F.C. are having with P.W.A. public works securities can be taken as a criterion. It is quite possible, indeed, that the matter could be pushed further and that banks through a revival of the National Credit Corporation could take over the R.F.C.'s advances to banks and trust companies. The National Credit Corporation was wound up the other day and the banks which organized it were gratified to find they had earned 3.35 per cent on the $188,000,000 they had put into it. There is increasing evidence that an earnest effort on the part of the banks and the Government would increase bank lending and reduce Government lending if and when it is the policy of the Government to do so.

HOUSING PLANS Future prospects of new and more extensive use of Government credit in private business seem to depend largely upon the Administration's ultimate plans for the stimulation of home construction. What these plans will be, everybody including the Government itself, would like to know. At the present writing it seems to have been determined that direct subsidies or grants from the Treasury and outright Government construction will be discontinued and efforts will be directed toward encouraging the use of private capital, especially along the line of cheap home or apartment construction.

That, however, is as far as plans have progressed to date. It is generally agreed by the Government housing agencies that in so far as Federal aid is required it will be applied through local authorities, avoiding many legal complications by giving the latter full control of management and condemnation powers, and leaving to them, as the best judges possible of local needs, final determination of their own local programs.

George E. Anderson

Digest of Recent Regulations

"IV" of the F.D.I.C.—"Q" of the F.R.S.

WHAT is the difference between Regulation IV of the Federal Deposit Insurance Corporation and Regulation Q of the Board of Governors of the Federal Reserve System with respect to:

1. Class of bank to which applicable?
2. Their effective dates?
3. Effect of mere reservation by bank of right to require notice before repaying time certificate or time deposit, open account?
4. Requirement that "time certificate" shall, on its face, be payable only upon its "presentation and surrender"?
5. "Profit" concern making savings deposit?
6. "Savings deposits" repayable on fifteen days' notice?
7. Definition of interest?
8. Contracts requiring payment of interest on demand deposits or higher rates than those specified for time and savings deposits?
9. Effective dates for the specified maximum interest rates on time and savings deposits?
10. Certificates of deposit of indefinite maturities drawing interest as savings deposits?
11. Renewal of time certificates of deposit within ten days after maturity without loss of interest?
12. Payment of time deposits before maturity?
13. Loans on savings deposits?

NONMEMBER insured banks only are affected by new regulation IV of the Federal Deposit Insurance Corporation; *member banks* only (except as provided by state law) by Revised Regulation Q of the Board of Governors of the Federal Reserve System. Regulation Q is digested in some detail on pages 40 and 61 of January BANKING. (The Federal Deposit Insurance Corporation will be designated as the "Corporation"; the Board of Governors of the Federal Reserve System as the "Board of Governors"; Regulation IV as "IV"; and Regulation Q as "Q".)

STATUTORY AUTHORITY FOR REGULATION IV

REGULATION IV was issued under authority of section 12B (v) (8) of the Federal Reserve Act, as amended by the Banking Act of 1935, which specifically requires that the Corporation *shall* do the following things by regulation with respect to *nonmember insured banks:*

1. Prohibit the payment of interest on demand deposits, "and for such purpose it may define" the term "demand deposits" but must except from the prohibition the exceptions now and hereafter prescribed with respect to demand deposits in *member banks* by section 19 of the Federal Reserve Act or by regulation of the Board of Governors.

2. Limit the rates of interest or dividends on time and savings deposits, consistently with contractual obligations, and prescribe different limitations for such deposits under different specified conditions.

3. Define time and savings deposits.

4. Prohibit the payment of time deposits before maturity, subject to exceptions prescribed by the Corporation.

5. Prohibit the waiver of "any requirement of notice before payment of any savings deposit except as to all savings deposits having the same requirement."

Section 12B (v) (8) provides that "each violation of . . . any lawful provision of such regulations relating to the payment of interest or dividends or to withdrawal of deposits" subjects the offending bank to a penalty of not more than $100, recoverable by the Corporation for its use; it makes no specific reference to bank loans on time or savings accounts.

Regulation IV supersedes regulations B and C of the Corporation.

February 1, 1936, is the effective date of IV; January 1, 1936, of Q.

Regulations IV and Q are the same in substance except as otherwise stated and have the same section titles and numbers.

SECTION 1. DEFINITIONS.

(a) "Demand deposits" include all deposits not time or savings deposits.

(b) "Time deposits" mean "time certificates of deposit" and "time deposits, open account."

(c) (1) (2) (3) A "time certificate of deposit" must on its face be payable not less than 30 days after the date of the deposit or upon not less than 30 days' written notice. A "time certificate of deposit" of a nonmember insured bank, but not of a member bank, may include a certificate in which the bank *merely reserves the right* to require at least 30 days' notice before repayment. However, in such case, the nonmember insured bank "must require such notice before permitting withdrawal". It is not expressly stated whether this applies to a certificate which is classified as a non-interest-bearing demand deposit.

Regulation Q, only, requires that a "time certificate" must on its face be payable "only upon presentation and surrender of the instrument", which means that if only part of a "time certificate" is to be repaid, part payment cannot be indorsed on the certificate, but it must be surrendered and a new certificate issued for the reduced amount.

(d) A "time deposit, open account" must be made under written contract prohibiting withdrawal by check or otherwise prior to not less than 30 days' written notice or prior to maturity, which maturity shall be not less than 30 days after deposit. However, the receipt of deposits in a Christmas club or similar account within 30 days of the date of withdrawal does not preclude it from being a "time deposit, open account" if the written contract prohibits withdrawal "until a certain number of (CONTINUED ON PAGE 76)

CALENDAR

Aims of Banking

THE value of public confidence as a factor in business was stressed by Robert V. Fleming, President of the American Bankers Association, in an address at a luncheon meeting of the Advertising Club of New York, February 13. His remarks were broadcast.

Mr. Fleming observed that business was generally thought of as having to do primarily with the factors of operation and management.

"To these," he said, "I wish to add a third factor—interpretation—which should assume increasing importance in years to come. Business must be prepared to explain its method of operation and to interpret its managerial policies if it is to inspire confidence on the part of the rank and file of the people. I have no fear of the American people; they are essentially honest and fair. They are characterized by a spirit of 'live and let live' when they understand. It is only when they do not understand that they have fears and suspicions."

Applying this point to his own profession, Mr. Fleming said he had felt it imperative that the mystery be taken out of banking and that in an effort to emphasize the importance of this undertaking the Association's series of regional conferences on banking services had been set up.

He took note of the fact that many of his radio listeners were women, who largely control the financing of home management, and added:

"Of all the different kinds of financing that go on in this country from day to day, I believe that the financing of the home is one of the most important. In an increasing measure, those women who have the supervision of this important phase of our national life are using the banks as a means of helping them in their problems. There are now many ways in which the banks can be of service in this particular that were not possible a few years ago."

BANKING SERVICE

IN an address before the annual dinner of the Chamber of Commerce of St. Louis on February 7, President Fleming set forth the purpose of the regional conferences on banking service.

"We have," he said, "two objectives in mind in holding these conferences: first, we wish to discuss ways and means by which banking may render a more complete financial service to people in various parts of the country under the provisions of recent legislation. We are pointing out to them certain problems and difficulties incident to such service, bearing in mind always our belief that the people of this country want a sound banking system and not one which is simply responsive to current whims and

The program for the Southern Conference on Banking Service, to be held at Memphis, March 26 and 27, appears on pages 36 and 37.

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fancies. Our discussions are fully reported in the press, for we want the public to be aware of these services. The newspapers and the radio have been most helpful in giving wide publicity to our efforts in this direction.

"Our second objective is to urge the banks, through the intelligent use of advertising and other means of public education, to acquaint the people with some of the more basic things about finance, in order to place the banks in a proper perspective in the life of the community. If the mystery surrounding banking is ever to be overcome it must be cleared up by the actions of the bankers themselves."

A Banking Broadcast

AN unusual method of bringing the Philadelphia Conference to the attention of the public was adopted by the First National Bank at Pittsburgh. President Frank F. Brooks commissioned John A. Price, Pittsburgh advertising man, to cover the Conference as an impartial news reporter and commentator, and (CONTINUED ON PAGE 44)

WIDE WORLD

AT THE ADVERTISING CLUB OF NEW YORK

Part of a group who heard Robert V. Fleming speak on February 13 over a national radio hookup on "American Banking Faces the Future". From left to right in the front row are: P. A. Benson, Rudolf S. Hecht, Frederick H. Ecker, H. B. LeQuatte, Robert V. Fleming, H. B. Henwood, and William T. Dewart. Others in the picture include: Arthur B. Taylor, F. N. Shepherd, Arthur H. Kudner, H. H. Griswold, George P. Kennedy, John R. Burton, H. Earle Dow, H. H. Barnes, Robert W. Sparks, Julien H. Hill, W. J. Kieferdorf, Henry W. Carlisle, William J. Rahill, and William R. Kuhns

to present his unbiased interpretation of the proceedings in a broadcast. Speaking from Station WCAE on January 28, Mr. Price reviewed several of the papers and discussions, and then gave his audience what he called "the composite flavor" of the program—a summation of banking's present day purposes and beliefs.

Speechless

WHEN the banquet of the Trust Division was over, Merrel P. Callaway, the Division President, presiding at this closing function of the Mid-Winter Conference, rapped for order. Curtains behind the guest table in the ball room of New York's Waldorf-Astoria rolled aside, revealing Miss Helen Jepson, operatic soprano. Miss Jepson sang three songs. As the applause subsided Mr. Callaway rose.

"Gentlemen," he said, "I have given you Miss Jepson instead of a speech. There will be no speech tonight—". The cheering lasted many minutes.

Newspaper headlines the next morning proclaimed: "1,500 Bankers Dine Without a Speech. 25-year Custom Dropped."

Trust Services

MORE than a thousand trust men from many parts of the country gathered at the Waldorf-Astoria, New York City, February 11–13, for the 17th Annual Mid-Winter Conference sponsored by the Trust Division, American Bankers Association.

Their discussions embraced the broad field of trust work—its activities, social aspects, operating problems, public relations, new business development, fees, cost analysis, legislation, duties and liabilities of the trustee, investments, taxes, supervisory matters. Supplementing the formal papers were two open forums.

Increased operating costs and their relation to the question of fees received considerable attention. Small trusts were also discussed by several speakers, including Robert V. Fleming, President of the Association, in his address "The Social Significance of Trust Service."

It is in the field of the small trust, Mr. Fleming said, that the next great development of trust service will come.

"Thinking trust men realize," he asserted, "that the social need for trust service requires that special attention be paid to the profitable and economic administration of small trusts—trusts, say, of $20,000 and under. They recognize that a vast majority of the liquid estates of Americans are less than $20,000 and that the widows, sons and daughters of these Americans need trust service quite as much as the widows, sons and daughters of those who count their liquid estates in millions.

"Trust business is seeking to equip itself to meet this aspect of the social demand by developing methods for handling these small trusts profitably and economically, both to the estates and to trust institutions."

Mr. Fleming urged upon the trust men "the importance of being fair to the public and fair to yourselves in the matter of making an adequate charge for the important service which you render."

"In your competition, one with another," he continued, "you should have due regard for the principles that a trust business can only be safely and properly run, and satisfactory and sound service rendered, where there is proper and fair compensation, in order that the best talent may be employed and the most improved methods of operation installed, which is broken down by uneconomic competition in taking business without fair and proper remuneration simply to gain volume."

RISING COSTS

MERREL P. Callaway, President of the Division and vice-president of the Guaranty Trust Company of New York, said in his presidential address that the trust business had reached a position where constantly rising expenses had "about reached a point where they are absorbing all the earnings, with the earnings themselves seriously affected by lower values and steadily falling interest returns." The situation as to expenses, Mr. Callaway found, was due largely to three major factors: the greatly increased cost of furnishing the service necessary to proper investment and conservation of trust funds, the large and ever increasing amount of service required to be performed by and for the Government and governmental agencies, and to steadily falling rates of return on investments, and the reduced value of all kinds of property.

Mr. Callaway offered several suggestions for meeting the situation. The most important method, he said, is through an increase in the rates of compensation. Where these are fixed by law, the legislatures should be acquainted with the true facts and efforts made to have rates increased. Where compensation is governed by the courts or commissions, every effort should be made to show these greatly increased services and costs whenever application for compensation is made, in order that fair fees may be granted.

Another method is the elimination of free services, so far as possible. "Something not so arbitrary or autocratic, but something somewhat along the lines of the various codes that lately were being proposed," Mr. Callaway said, "should be worked out and put into effect in order to afford fair and just compensation for services, and to prevent the damage of the rate cutter." Also, studies should be made of commingled funds in which participations might be allocated to the smaller trusts, thus reducing expenses incident to handling and investment, making possible the acceptance of small trusts and affording them greater diversification.

CONVENTIONS

A. B. A. Meetings

Mar. 5–6	Annual Eastern Savings Conference, The Waldorf-Astoria Hotel, New York, N. Y.
Mar. 26–27	Conference on Banking Service, Peabody Hotel, Memphis, Tennessee
Apr. 2–3	Conference on Banking Service, Stevens Hotel, Chicago, Illinois
Apr. 27–29	Spring Meeting of Executive Council, The Homestead, Hot Springs, Virginia
June 8–12	34th Annual Convention of the American Institute of Banking, Olympic Hotel, Seattle, Washington
June 22–July 3	Graduate School of Banking, Rutgers University, New Brunswick, New Jersey

State Associations

Apr. 13–14	Louisiana Bankers Association, Monroe
Apr. 23–24	Georgia Bankers Association, The Bon Air Hotel, Augusta
May 4–6	Kansas and Missouri Bankers Associations (Joint Convention), Kansas City, Missouri
May 7–8	Oklahoma Bankers Association, Mayo Hotel, Tulsa
May 15–16	New Mexico Bankers Association, Raton

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CALENDAR—Continued

May 19–20	Mississippi and Tennessee Bankers Associations (Joint Convention), Memphis, Tennessee
May 19–21	Texas Bankers Association, Rice Hotel, Houston
May 20–21	South Dakota Bankers Association, Aberdeen
May 20–22	California Bankers Association, Sacramento
May 20–22	Pennsylvania Bankers Association, Traymore Hotel, Atlantic City, New Jersey
May 21–22	Alabama Bankers Association, Jefferson Davis Hotel, Montgomery
May 21–22	Arkansas Bankers Association, Arlington Hotel, Hot Springs
May 21–22	Indiana Bankers Association, Claypool Hotel, Indianapolis
May 21–22	Maryland Bankers Association, Marlborough-Blenheim Hotel, Atlantic City, New Jersey
May 21–23	New Jersey Bankers Association, Ambassador Hotel, Atlantic City
May 25–27	Illinois Bankers Association, St. Louis, Missouri
May 28–31	District of Columbia Bankers Association, The Greenbrier, White Sulphur Springs, West Virginia
June 7–12	North Carolina Bankers Association, cruise to Bermuda on board S. S. "Reliance", sailing from Norfolk, Virginia
June 11–13	Massachusetts Bankers Association, New Ocean House, Swampscott
June 18–20	Virginia Bankers Association, The Cavalier Hotel, Virginia Beach
June 19–20	Colorado Bankers Association, Colorado Hotel, Glenwood Springs
June 22–23	Utah Bankers Association, Bryce Canyon
June 22–24	Wisconsin Bankers Association, Hotel Schroeder, Milwaukee
June 26–27	West Virginia Bankers Association, White Sulphur Springs
June 26–29	Michigan Bankers Association, Grand Hotel, Mackinac Island
July 24–25	Montana Bankers Association, Old Faithful Inn, Yellowstone National Park

Group Meetings

Mar. 5	Group One, Arkansas Bankers Association, Osceola
Mar. 11	Cortland County Clearing House Association, Cortland, New York
Mar. 12	Group Two, Arkansas Bankers Association, Searcy
Mar. 18	Group Five, Arkansas Bankers Association, Russellville
Mar. 30–31	Central States Conference of Bankers Association Officers, Excelsior Springs, Missouri
Apr. 22	Group Two, Nebraska Bankers Association, Fremont
Apr. 22	Group Three, Nebraska Bankers Association, Norfolk
Apr. 25	Group One, New York State Bankers Association, Statler Hotel, Buffalo
May 8	Group One, Colorado Bankers Association, Boulder

(CONTINUED ON PAGE 48)

"There has always been too much Diplomacy in Business"

THE advice of a business analyst, like that of a lawyer or physician, must be unprejudiced . . . even brutally frank. Otherwise, it is of little value to the client. Ailing industry doesn't need "yes men."

The George S. May Company has been tremendously successful, not only because of its ability to diagnose the needs of a business intelligently and to apply the proper remedies, but because it has always dared to tell the truth to every client, without fear or favor. May engineers never indulge in personalities. They deal impartially with causes and effects. When they find a situation which needs correction, they report it . . . faithfully, without thought of whose toes may be stepped upon. They "hew to the line and let the chips fall where they may," whether the criticism hits foreman, superintendent, president or board of directors. Unless the individual officers and the company itself are "big enough" to take constructive criticism, based upon unbiased facts, the May Company cannot benefit them . . . and does not want the job.

The May Company occupies a strong position in both the United States and Canada. It does not have to "play politics" to get business and its recommendations are always frank and direct, without regard to fee or job. The merit of this policy is best proved by the phenomenal growth of this company and its record of accomplishments in hundreds of well-known manufacturing plants.

An interesting 48 pages of facts, showing actual results in 46 different manufacturing plants, will be sent upon request. Write the nearest office for May Facts Nos. 1 to 12.

GEORGE S. MAY COMPANY

CHICAGO: ***2600 North Shore Avenue*** **NEW YORK:** ***122 East 42nd St.***
SEATTLE: ***747 Dexter Horton Bldg.*** **HUGO, OKLA.:** ***P. O. Box 43***
CANADA: ***George S. May, Ltd., 18 Toronto Street, Toronto***

CALENDAR—Continued

May 13	Group Two, Colorado Bankers Association, Pueblo
May 18	Group Five, Wisconsin Bankers Association, Watertown
May 19	Group Two, Wisconsin Bankers Association, Wisconsin Dells
May 20	Group Seven, Wisconsin Bankers Association, La Crosse
May 21	Joint Meeting, Nassau County Bankers Association and Nassau County Clearing House Association, Garden City Hotel, Garden City, New York
May 21	Group Six, Wisconsin Bankers Association, Clintonville
May 22	Group Three, Wisconsin Bankers Association, Appleton
May 23	Group Three, Colorado Bankers Association, Grand Junction
May 30	Junior Bankers Section, Arkansas Bankers Association, Annual Educational Conference, Pine Bluff
June 6	Group Four, Colorado Bankers Association, Durango
June 10	Group Five, Colorado Bankers Association, Alamosa

Other Groups

Apr. 17–18	Eastern Regional Conference of the National Association of Bank Auditors and Comptrollers, Lord Baltimore Hotel, Baltimore, Maryland
Apr. 20–22	Reserve City Bankers, Edgewater Gulf Hotel, Biloxi, Mississippi
May 2–4	The Associated Business Papers Inc., The Homestead, Hot Springs, Virginia
May 13–15	National Association of Mutual Savings Banks, Hotel Traymore, Atlantic City, New Jersey

TREASURY

Wayne C. Taylor, former vice-president of the Export-Import Bank, succeeds Lawrence Wood Robert, Jr., as Assistant Secretary of the Treasury

HARRIS & EWING

"Write-A-Will Week"

TO focus public attention on the subject of wills, the San Angelo *Standard-Times* and five other Texas newspapers with which it is associated recently promoted "Write-A-Will Week." Banking institutions, insurance companies, local attorneys and others co-operated and the matter received wide publicity.

A file of the promotional material appearing in the *Standard-Times* and sent to BANKING by the newspaper's publisher, Houston Harte, includes advertisements, questions and answers bearing on wills, editorials, and addresses to civic organizations.

Mr. Harte writes that Don Chenoweth, managing editor of the *Standard-Times*, got the idea of "Write-A-Will Week" several years ago when he asked the late Judge W. C. Blanks, then president of the Central National Bank at San Angelo, to look over his will.

"Judge Blanks remarked," says Mr. Harte, "that the best friend the lawyers and the courts have is the fellow who thinks he knows how to write his own will."

BANKING ADMINISTRATION

A POINT prominently stressed in the San Angelo campaign was the advantage of estate administration by a banking institution. The San Angelo National Bank, for example, advertised: "Have your lawyer draw your will and provide protection for your family. Name this bank as your executor or trustee. We believe that the collective judgment of the officers and directors of any bank in San Angelo is superior to that of any individual, however capable, in coping with the many problems incident to estate management."

The First National Bank asked newspaper readers: "Who will handle your estate?", and added: "The question of management of your property after you are gone is the most important element in the preservation of an estate, regardless of size. The First National Bank of San Angelo has been acting as executor and administrator of West Texas estates, both large and small, for many years. Consult us about your will and the service which this bank has to offer in connection with provisions which should be made a part of your will, which not only can add to the value of your estate, but help preserve it."

(CONTINUED ON PAGE 52)

THESE DAYS, A PIG IN A POKE MEANS

"NO SALE"

Fire insurance is no place for blind faith! Careful people prefer to *buy* their insurance, on the basis of complete knowledge, rather than have it *sold* to them.

Find out at least four important things about any companies from which you buy fire insurance:

1. **Do they confine their writings to properties owned or occupied by concerns known to be morally and financially responsible? IRM does.**
2. **Do they inspect and continue to inspect such properties regularly, to the mutual interest of insured and insurer? IRM does.**
3. **Do they maintain a staff of fire-prevention engineers to reduce and eliminate hazards among their insured properties? IRM does.**
4. **Can they deal directly with you, to promote complete understanding? IRM can.**

These four factors operate to lessen risks, and hence to lower insurance costs. Add this fact: IRM policyholders have received 25% returns on their premiums every year since this group was organized fourteen years ago.

Let us show you how IRM can give you full fire and allied coverage, and pare your costs at the same time. We shall gladly send our booklet upon request.

IN PULLING MORTGAGED PROPERTIES AND TRUST HOLDINGS OUT OF THE RED, FIRE INSURANCE COSTS OFFER AN IMPORTANT OPPORTUNITY FOR SOUND ECONOMY.

IMPROVED RISK MUTUALS

75 Fulton Street, New York

The IRM Group is made up of fifteen legal reserve companies, averaging more than forty years of underwriting experience. It writes the following types of insurance: Fire—Sprinkler Leakage—Use and Occupancy—Tornado and Windstorm—Earthquake—Rents—Commissions and Profits—Riot and Civil Commotion—Inland Marine.

(CONTINUED FROM PAGE 50)

An insurance company advertisement pointed out that "in most cases, an estate can be less expensively and more effectively handled by a trust company, or some other trustworthy institution, such as a bank. But remember: by a will, and only by a will, can you be assured of correct distribution."

FORMAL PROCLAMATION

"WRITE-A-Will Week" was formally proclaimed in San Angelo by Mayor Jose Tweedy. At a Lions Club luncheon, Emette Westbrook, trust officer of the Central National Bank, said that life insurance afforded protection from heavy estate taxation and also provided necessary cash. He suggested that members of his audience look into their insurance needs and that they discuss, with one of the three trust departments in the city, the making of a will and a trust for their insurance.

F. L. Hargis, district manager for the Jefferson Standard Life Insurance Company, told members of another civic group that the bank or trust company was "the ideal executor or trustee."

Several feature articles about wills were published by the *Standard-Times* during the week, and in other newspapers associated with it, including the Abilene *Reporter-News*, Corpus Christi *Caller-Times*, Paris *Evening News*, Big Spring *Herald*, and the Sweetwater *Reporter*.

SAFE TRAFFIC

Paul G. Hoffman, president of Studebaker Corp., who heads the Safety Traffic Committee of the Automobile Manufacturers' Association

ACME

Government Banking's Progeny

(CONTINUED FROM PAGE 15)

portant that banking service shall be available to meet the thousand and one requirements of communities that are to be rebuilt, equipment that is to be replaced or repaired, and factories that are to be remodelled to take care of a restoration of old demand from foreign as well as domestic markets.

In an era of recovery, government can do more by sound cooperation than it can by competition. For against Uncle Sam, private bankers are unable to compete. It ought to be the proper function of the Government to encourage more and more cooperation between the lending agencies at Washington and the banks of the country to the end that gradually the Government may be able to transfer its burden—largely imposed by emergency—to the institutions that can carry on permanently.

INTEREST RATE CONTROL

ON the part of Government, the effort to control interest rates may prove a dangerous instrumentality. Politicians in Congress have long wanted to control the credit mechanism of the country as they have sought to tinker with the monetary wheels as well. Could we find the "master minds" to turn the dial with the delicate twists and turns that are necessary to adjust anything so complicated as a nation's interest rate structure, there might be some reliance on Government omniscience. But while a trend toward low interest rates would aid the nation to refinance its private as well as its public debt, it should not be forgotten that interest rates cannot be artificially controlled for any length of time and that natural levels are the inevitable product of natural conditions.

For the moment, it is Government effort at "control" of interest rates. Soon it may be only a desire to act as a "stabilizer." But eventually the interest problem must occupy its proper place in a natural economy freed from political or artificial restraints.

If the economic system of our Anglo-Saxon tradition is to be maintained and our institutions preserved, then that kind of government cooperation must be developed which affords the maximum of protection for the people and exercises the minimum of regulatory power in the establishment of proper standards of banking service.

Forgotten Thrift

To the Editor:

IN all the vast chorus that has been pounded unceasingly into our ears ever since 1929 about "distressed citizens", has anyone heard any clarion call that the millions of savers of this country be given consideration? At least not from Washington, whose multitudinous agencies and bureaus, under the direction of a few men skilled in new theories but devoid of practical experience, constantly press for lower interest rates.

Everyone knows that there is such a thing as usury, a maximum rate of interest beyond which it is not legal to go, and rightly so. But how about the savers who furnish this money? Should Washington in its zeal do something to protect them by fixing a minimum interest rate that shall be charged? Why not fix an unwarranted low rate as well as a usurious high rate?

Just ordinary common sense teaches that if you beat down interest rates on home loans below the normal rate there can be only one result as far as the saver is concerned—you beat down his interest income on his savings.

FAIR INTEREST RATES

BUILDING association interest rates in this section have always been fair and reasonable, and so have the rates of interest paid the saver been liberal and fair. The average home owner is willing to pay the savers a normal building association rate of interest for the money he uses. He knows, as does every fair-minded citizen, that, until the wage and salary earner can earn a decent income for his labors on the American standard of living, there can be no lasting prosperity. And he also knows that the saver likewise must have a decent income on his savings. The savers simply can not be left out of the picture.

Some day, under aggressive leadership these millions of savers will rise up in their might and woe be to the politicians, large and small, who block their way! The financial institutions of the country are not responsible for this situation—they are merely trustees for the savings.

EDWIN L. GRIEST
President, First District Organization
Ohio Building Association League
Cincinnati, Ohio

F.D.I.C. Assessments

FIRST computations by the Federal Deposit Insurance Corporation of certified statements submitted by its insured banks show that their total average daily deposits for the three closing months of 1935 were approximately $41,629,000,000.

On the basis of that figure, the corporation announced, the 14,208 banks which are members of the FDIC will pay as insurance assessment for the first six months of 1936 the sum of $17,345,000.

Except for 219 banks the payment took the form of a deduction from credits standing on the books of the corporation from the period of the temporary insurance fund, terminated August 23, 1935. Actual remittances by the 219 institutions whose credit had been exhausted amounted to about $4,700,000.

The present assessment was based on average daily deposits for October, November and December 1935, less items in process of collection and certain other allowable deductions. The next ensuing assessment to be paid by insured banks will be due on July 15, and will have as its base average daily deposits for the first six months of this year.

Preliminary figures for the January assessment, by classes of banks, were as follows:

	Average Daily Deposits	Six Months' Assessment
National banks	$22,812,000,000	$ 9,505,000
State banks, members and non-members Federal Reserve System	17,846,000,000	7,436,000
Mutual savings banks	971,000,000	404,000
TOTAL	$41,629,000,000	$ 17,345,000

Duties in Cash

A BANKER in a port city was visiting with the treasurer of a manufacturing concern located in an inland town.

"We have frequent occasion", said the treasurer, "to import raw materials, and most of these importations come through your port. There is always a certain amount of annoying and really expensive red tape due to the fact that the Government officials require cash, or its full equivalent, for the payment of import duties. How can we remedy these bothersome delays?"

"That's easy," replied the banker. "Whenever a shipment is expected, if you will advise us ahead of time, and instruct your custom house broker to tell us the amount of the duty required, we shall then furnish our cashier's check, issued to the order of the collector of customs, and the shipment will move forward without any delay. The cashier's check, of course, will be charged to your account on our books. We can then notify you, and you can reimburse the account at your convenience."

In due course a shipment came in, the above procedure was followed, and goods occupying four freight cars were moving to the factory in the inland town within 24 hours after the ship was docked. Needless to say, this transaction was highly pleasing to the treasurer of the manufacturing company, and the practice has been followed with all subsequent shipments.

Keeping Men at Work

THE commercial failures that occur throughout the country are accurately recorded and the figures published at frequent intervals. But no record is kept, nor is public reference ever made to the thousands of business concerns that are *saved* from failure, or liquidation, or receivership, because of the sympathetic and intelligent cooperation of the banker.

During the depression, the nation's business life suffered more than 130,000 such fatalities, involving more than $3,000,000,000 of liabilities.

It is safe to assume that during the sub-normal conditions that have prevailed for the past six years an almost equal number of mercantile and manufacturing institutions have been nursed back to health and vigor, thus salvaging billions of dollars of assets, and, what is of even greater importance, saving hundreds of thousands of jobs for the workers of the nation. But the banker never will and never can get any credit for this constructive conservation.

One actual instance, which is typical of thousands, will suffice to indicate what this sort of financial laboratory work means to the commercial and industrial life of America.

A small but continuously successful industrial concern, which had been doing business for more than 40 years, began to feel the acute effects of the depression in 1932. Its gross volume of sales, which at the peak had exceeded $1,000,000, had shrunk at the end of 1932 to less then $300,000. This, of course, meant smaller profits, the necessity for a reduced overhead, a decrease in personnel, which in 1929 had numbered more than 150, and drastic cuts in the salaries of the executives. In spite of an unusually capable and conscientious management, and an energetic sales department, the company's business continued to decline because its products were those on which its customers could rapidly economize.

Net losses in operations during 1932, 1933 and 1934 wiped out the surplus and materially reduced their capital, but the company's banker, who had known the concern for a generation, retained a firm confidence in the management. He assured the executives of his belief in their ability to weather the storm. Their loans at the bank were substantial, but by severe economies they were able gradually to reduce them in the face of constantly decreasing sales.

Early in 1935 the tide turned, and the concern is now on the upgrade. Patient and skillful cooperation saved the institution, and prevented the force from being added to the relief rolls.

Savings Bank Problems

A WIDELY diversified program has been arranged for the Annual Eastern Savings Conference, held March 5 and 6 at the Waldorf-Astoria, New York City, under auspices of the Savings Division, American Bankers Association.

The schedule of meetings and speakers, as available at the time of going to press, follows:

March 5. First session, 10 A.M. Call to order, Harold Stone, president, Savings Banks Association of the State of New York, and president, Onondaga County Savings Bank, Syracuse; address of welcome, Lewis Gawtry, president, Bank for Savings, New York City; response, William J. Lum, secretary, Connecticut Savings Banks Association, and secretary-treasurer, Dime Savings Bank, Wallingford, Connecticut; "The Outlook for Interest Rates", Lionel D. Edie, president, Edie-Davidson, Inc., New York City; "Investments", Alexander Standish, president, Standish, Racey & McKay, Inc., Boston.

Luncheon meeting. Presiding, Rutherford E. Smith, president, Massachusetts Savings Banks Association, and president, Dorchester Savings Bank; "The New Reign in Great Britain", P. W. Wilson, author and journalist.

Second session, 2:15 P.M. Presiding, Philip A. Benson, President, Savings Division, and president, Dime Savings Bank of Brooklyn; "Real Estate—What's Ahead?", Edward J. Crawford, vice-president, Charles F. Noyes Company, Inc., New York City; "A Better Day for Mortgages in Banking", Lawrence B. Cummings, commissioner, New York State Mortgage Commission; "Promising Conditions in the Real Estate and Mortgage Field", George McAneny, president, Title Guarantee and Trust Company, New York City.

Annual banquet, 7 P.M. Toastmaster, Henry Bruère, president, The Bowery Savings Bank, New York City; "Truthful Oratory", Albert Lavery, vice-president, Bridgeport Hydraulic Company; "The Future of Railroad Transportation in the United States", Henry W. Anderson, co-receiver, Seaboard Air Line Railway.

March 6. Third session, 9:45 A.M. Presiding, Mr. Benson; "Is There a Railroad Problem?", Fred N. Oliver, general counsel, National Association of Mutual Savings Banks; "Personal Loan Departments", Louis S. Thomas, president, East Hartford Trust Company; "New Agencies Competing with Banks for Savings", Frank P. Bennett, Jr., editor, *United States Investor*.

Luncheon. Presiding, Robert C. Glazier, president, National Association of Mutual Savings Banks, and president, Society for Savings, Hartford, Connecticut; "Ethiopia, Its People and Political History", Henry A. Lardner, vice-president, J. G. White Engineering Corporation, New York City.

Fourth session, 2:15 P.M. Presiding, Mr. Benson; a discussion of constructive customer relations under leadership of Robert W. Sparks, vice-president, The Bowery Savings Bank. Speakers include Kenneth M. Murchison, vice-president, Central Savings Bank, New York City; John J. McCann, Jr., advertising manager, National Savings Bank, Albany, New York; Frank M. Totton, second vice-president, Chase National Bank, New York City; and Donald Kirkpatrick, president, National Bank of New Jersey, New Brunswick.

Personal Loans without Co-makers

THE requirement that the borrower under a personal loan plan obtain the endorsements of two other individuals to his note has long stood as a barrier between personal loan departments and individuals in the higher salary classes. The substantial business executive, regardless of how much he may need a loan, finds it difficult to ask a friend or acquaintance to endorse his note.

Recognizing this and feeling that nevertheless the class represented by individuals with salary incomes of $5,000 a year and more offered a lucrative field for personal loans, the Morris Plan Company of San Francisco recently inaugurated the "Executive Loan", which is made without co-makers.

To qualify for one of these loans the prospective borrower must be a recognized executive of some business not his own and must have an annual salary from that source of $5,000 a year or more. Salesmen and those in business for themselves, regardless of their incomes, are not classed as executives. In addition to the salary and employment classification the applicant must, of course, be able to withstand a rigid credit investigation.

Beyond these formalities, the company makes these executive loans in any amount up to $6,000 on the same basis that its other loans are made. Repayments are scheduled in instalments over a period of 12 months or less, and the face of the loan must be covered by the deposit of term life insurance to protect the company in case of the death of the borrower.

Currently the company is charging 5½ per cent discount on these loans plus an investigation fee of $2.50 for each $100 borrowed up to $600. All loans above that figure pay a flat investigation fee of $15 each.

In any consideration of this type of paper, the question, of course, arises as to whether loans secured by neither collateral nor endorsement are safe. The answer to this would seem to lie in the answer to another question. How much value is an endorsement in case of a default? That value, of course, varies but in general if a borrower proves satisfactory his endorsers will also be found satisfactory.

JOHN FARNHAM

ROAD SAFETY

Willard T. Chevalier, of the McGraw-Hill Publishing Co., will head the American Road Builders Association on May 1 and study causes of motor accidents from an engineering viewpoint

ACME

Better Counter Service

By J. W. MILLER

THE acceleration of bank operations is perhaps most important in departments that come in direct contact with the public. This is especially true in the receiving and paying tellers' divisions where unnecessary delay is apt to react against the bank. It also means that both the teller's and the customer's time is being wasted.

When a bank is so large that it is impossible for the paying tellers to know the account standing of all the customers who present their checks, it becomes necessary for them to contact the bookkeeping department before they can safely pay the checks. This is usually done by telephone or other mechanical means. It is for banks in this classification that I suggest a plan which should save time and embarrassment at the paying tellers' windows.

The signature cards in the paying tellers' department should carry a distinguishing mark that would classify the accounts represented therein according to size. For example, we will say that all cards covering accounts against which checks could be safely paid for an amount not exceeding $25 are marked "a". This might include all accounts the balances of which never fall below $100. Cards marked "b" would designate accounts against which checks could be safely paid in amounts up to $10. This might include all accounts with balances which are never reduced below $50. Cards marked "c" would cover questionable accounts or those too small to fall into the "a" or "b" classifications. A new account should not be given a rating until it has been on the books long enough to permit a safe classification.

The ledger sheets should be marked to correspond with their respective signature cards. When an account fluctuates to the extent of necessitating a change in its rating the ledger sheet should be immediately remarked and a notation made to make a similar change on the signature card. Ordinarily these changes will be few, and once a day a list of them should be turned over to the paying tellers' division so that the markings on the signature cards can be corrected.

The tellers are constantly referring to these cards to identify customers by their signatures; in addition they must contact the bookkeeping department to verify the amounts. With the system suggested the signature card would reveal all the necessary information at a saving of time to the customers, the tellers and the bookkeepers.

It is my opinion that the danger entailed with this plan would be actually less than the risks taken in most banks where actual contact with the bookkeeping department is necessary to verify checks. In many such cases the inconvenience of getting in touch with the bookkeeper causes many tellers to take chances on smaller checks presented for cash.

It is not intended that this suggestion cover all the transactions handled by the paying tellers' division. The thought was to find some method of routine which would result in greater efficiency in the cashing of small checks, a service that represents the major part of the paying tellers' duties in most banks.

A Mortgage Discount Bank

AS a means of pushing new residential construction, an arrangement has been concluded between the Federal Housing Administration and The R.F.C. Mortgage Company whereby the latter will furnish the facilities of a mortgage discount bank for the purpose of buying insured F.H.A. mortgages given under Title II.

In announcing the plan, Stewart McDonald, Federal Housing Administrator, said its effect was "tantamount to the establishment of a national mortgage association or a mortgage discount bank for mortgages on new home construction." Another effect, he said, would be to accelerate the rate of building.

"With the whole resources of The R.F.C. Mortgage Company behind the Federal Housing Administration's insured mortgages," Mr. McDonald added, "new capital will flow into the mortgage field in increasing volume to meet the anticipated upward trend in new home construction."

In a letter to all financial institutions, W. D. Flanders, Deputy Administrator, stated the terms on which the R.F.C. unit would buy mortgages. The communication said:

"Beginning February 15, 1936, The R.F.C. Mortgage Company will purchase such mortgages from original mortgagees for the unpaid principal amount less ½ of 1 per cent, plus accrued interest, where the mortgagee agrees to continue servicing them, and will allow the mortgagee to retain the service charge provided in the mortgage, and in addition thereto, ½ of 1 per cent per annum of the unpaid principal balance outstanding at the time interest payments are made, such amount to be deducted by the original mortgagee from remittances on account of monthly payments applicable to principal and interest.

"Beginning February 15, 1936, The R.F.C. Mortgage Company will enter into agreements to purchase such mortgages as the Federal Housing Administrator has executed a firm commitment to insure. . . . A charge of ½ of 1 per cent of the principal amount of the mortgage shall be paid when the contract to purchase is executed by The R.F.C. Mortgage Company, and the insured mortgage, when delivered to The R.F.C. Mortgage Company, within a six-month period, will be purchased at par plus accrued interest, and the mortgagee will be allowed to retain the service charge provided in the mortgage, and, in addition thereto, ½ of 1 per cent per annum of the unpaid principal balance outstanding at the time interest payments are made, as stated above. In event the mortgagee does not deliver the insured mortgage in accordance with the contract, or an extension of time agreed upon, the charge of ½ of 1 per cent shall be retained by The R.F.C. Mortgage Company.

"The R.F.C. Mortgage Company will purchase, pursuant to the foregoing paragraphs, only such mortgages as will yield to it a 4½ per cent net return. Approved mortgagees offering insured mortgages for sale or requesting a commitment for the purchase of insured mortgages may make applications at the various 32 R.F.C. loan agencies throughout the country.

"Insured mortgages purchased by The R.F.C. Mortgage Company will be available for sale to approved mortgagees desiring to acquire them for their portfolios.

"It is expected that this action by The R.F.C. Mortgage Company will encourage the construction of new homes and their financing under the favorable terms of the National Housing Act."

It Might Have Been Prevented

THE sheriff, alone in his office, was shaving. Down the street several gentlemen in the general store were discussing political economy, agriculture, and fisherman's luck. On the sidewalk a few pedestrians supplied the only visible signs of animation in the town's business section. It was a hot day.

A gong clanged—rather, three gongs, simultaneously. One of them was on the wall of the sheriff's office, another above the door of the bank about 200 yards distant, the third in the store.

The sheriff stopped shaving.

"Why don't the bank have that thing fixed?" he asked himself. "That's twice this month it's gone off." Then he stropped his razor.

People on the street, startled by the ringing of the alarm at the bank, glanced at the building and wondered vaguely whether this particular disturbance had been caused by carelessness or mechanical failure.

DISCORD ON A QUIET DAY

THE clang of the bell over the sugar barrels in the store dropped a rude period into a soliloquy by the proprietor. The boys smiled. They remarked:

"The bank ought to learn how to work that gadget."

"Last time it went off they found the cat had stepped on the button."

"And the time before that it was a short circuit. Maybe they're having burglar practice."

Two minutes passed. The three gongs were persistent. The sheriff thought: "Well, I'll go see, just in case." He rubbed off the lather, stepped outside and looked. A small automobile was parked at the curb in front of the bank; but two or three cars often stood there and so the situation was hardly unusual. However, some attention had to be paid to this disturbance of the public peace, and the defender thereof walked up the street to see what needed doing.

As the sheriff neared the bank premises, he saw two men scurry from the side entrance. He drew his gun and fired. The men fired back, covering their retreat to the parked car. They reached it, jumped in, and drove away.

The bank had been robbed of several thousand dollars in negotiable securities, mostly its own, and a comfortable nestegg in counter cash.

The sheriff investigated. He learned that one of the bank employees had been forced to open the vault door, thus placing at the bandits' disposal the bundle of securities which was in an open compartment of the vault. The currency had been snatched from the counters; in taking it the bandits had set off the alarm.

A more complete inquiry by persons familiar with loss prevention principles resulted in a report which read something like this:

"As a means of protection, the bank should not have left the securities exposed in the vault. There was no immediate need for them and they should have been placed in either a locked safe deposit box in the vault, or in the safe under delayed time lock.

"It is apparent that the bank was placing too much faith in the alarm system which proved useless when real emergency arose."

The Service Habit

IN the coupon department of the National Bank clerks were busily sorting a bunch of February 1 coupons which had just come in for collection for the account of out-of-town correspondents. The coupons in turn represented the income of customers of the correspondents of this big metropolitan institution which was the ultimate collecting agent. The little scraps of paper were being sorted according to issue, denomination, and paying agent.

"Hey Bob," called one of the clerks to another on the opposite side of the cage, "who pays the Great Consolidated Power 7s of 1944?"

"Right around the corner, Johnny; you ought to know it by this time," replied Bob without turning his head. In another corner of the department, Mr. Jessup, the manager, looked up from a pile of letters he had been reading and asked: "What coupons? Did I hear you say Great Consolidated? If I did, you will *not* present them at the place around the corner or any place else in this city, now or until further notice. They'll go to London. Come here, Bob, and you too Johnny; I want to teach you something."

Mr. Jessup reached up on a shelf and took down a bond manual, opened it at the description of Great Consolidated bonds, and said:

"I suppose you boys may have noticed that sterling was $5.01 this morning—or maybe you didn't. Perhaps you remember my instructions some weeks ago to look carefully at *all* coupons and drawn bonds which are payable in more than one market, for there may be money to be made or lost for the bank or its customers if you don't watch those things closely.

£ FOR $

"NOW, notice that these coupons you were just talking about are payable in dollars in New York or, at the *holder's* option in London at $4.8665 to the pound sterling. Those $35 coupons you have on your table are good for only $35 each here but you will notice that they are payable in London at £7 11s 11d. Well, say it's nearly 7½ pounds sterling; that would mean that coupon, with sterling at $5.01 would be worth about $37.50 if cashed in London. If you owned those coupons, Bob, where would you take them? Did you say London?

"Take a look at those drawn bonds. As I recall it, from the instructions we got from our correspondent, the Interior Trust Company, we were to present them for redemption, crediting their account under advice. Now those five bonds are worth only $5,000 around the corner, but, since they are redeemable in London at £208 to $1,000, and since sterling is $5.01, you can see that each of the $1,000 bonds is worth $1,042 or more if cashed at the City Bank in London. Now suppose you boys collected these as usual, around the corner, and assume that the American fiscal agent paid them as usual, the Interior Trust Company would be out about $200 profit it might have had.

"Send a wire to the Interior Trust, Johnny, and tell them we can get around $225 more for their bonds and coupons in London with sterling at $5.01 and ask them to reinstruct us."

An hour or so later a telegram came through from the cashier of the Interior Trust. "Buy coupons at current rate, crediting our account." Johnny handed

it to Mr. Jessup. "Shall we?" he asked.

"Gosh, no; at least not just like *that*," said Mr. Jessup. "That's another thing I should have told you about these international collections.

"Suppose sterling went down to $4.50 during the time it took us to get those coupons to London by insured registered mail; say ten days. And suppose we *had* bought those bonds and coupons at the price they are worth today with sterling at $5.01. Where would this bank be then? My boy, it would have a loss which, if it came out of your salary, would keep you working for nothing for a while. Or, suppose that the company which owes these bonds should decide to repudiate that holder's option clause. It's not likely, but banks are not supposed to speculate even on almost sure things.

"Wire 'em again and say we'll buy at current market subject to collection and permission to charge their account with difference between amount credited and amount we realize. That'll give 'em the profit and save us from loss."

Nine days later the bank received an advice from its London correspondent confirming receipt and collection of the coupons and drawn bonds and sold the sterling at $5.02. The Interior Trust was duly notified of a credit to its account of an amount in dollars which exceeded by $245.70 the face value of the bonds and the coupons which would have been realized had the obligations been presented to the New York paying agent.

The following day a telegram of thanks arrived from the Interior Trust, and the telegram also carried an invitation to charge any reasonable expenses incurred. "What should we get out of it, Mr. Jessup?" asked Bob, his pen poised over a charge slip.

"Nothing at all; it's all in the day's work," replied Mr. Jessup severely. "You might ask the Interior Trust," he added as an afterthought, "if they'll let us have $6.57 on account of collection costs. Apparently that's all it cost us." Mr. Jessup dismissed the matter, called a stenographer, and began tediously describing to a customer who had deposited railroad bond coupons default by the obligor and the obvious inability of the bank to collect on a defaulted coupon.

After lunch another telegram from the Interior Trust was laid on his desk. As Mr. Jessup read it he smiled and then passed it around. It said: CUSTOMERS AND OURSELVES PLEASED STOP CHARGE OUR ACCOUNT ELEVEN FIFTY-SEVEN STOP WE CHARGE FIVE ADVERTISING EXPENSE YOU CREDIT CIGAR ACCOUNT.

F. E. Tyng, Jr.

THE PHILIPPINES

Quintin Parades is the new Resident Philippine Commissioner in Washington. He was formerly speaker of the House in Manila

ACME

Page One

(CONTINUED FROM PAGE 10)

three issues totalling $150,000,000 sold to the public in August 1934 for the purpose of lending money for repairs and modernization of property mortgaged to the corporation, to make change in refinancing mortgages by exchanging bonds for the latter, and otherwise to carry on the business of the corporation.

Similar issues in practically the same amount are due on August 15 in 1937, 1938 and 1939. All other issues to date are for the long term, the earliest due date being August 1, 1949. It should be noted, however, that the corporation is empowered to purchase its own bonds at any time for not more than par and it is to do so as rapidly as the principal on its outstanding mortgage loans is paid in. The redemption next August will be made from payments of the principal on mortgage loans outstanding. By the due date the corporation expects to have about $75,000,000 for the purpose. Meanwhile, a considerable amount of its obligations is cancelled from time to time as opportunities are offered. Up to February 1 a good deal more than $60,000,000 of such obligations had been retired. Once retired, they are dead and cannot be replaced.

Fair Practices

There is general understanding within and without Congress that the deadline for the segregation of broker and dealer functions and for control of the over-the-counter markets and similar subjects by the S.E.C. now set for June 1 will be extended. The close and apparently cordial cooperation between the commission and the Investment Bankers' Conference Committee for the solution of all such problems promises highly satisfactory results, but it has become apparent that this solution cannot be had over night and that the best interests of all concerned, including the public, will better be conserved by a gradual approach rather than by precipitate action.

Home Loan Banks

The 12 Federal Home Loan banks are now earning enough profits to enable most of them to pay dividends to their member institutions and to the Government. Half of the banks expect to pay 2 per cent or better for the current year, the others not so much, although something. The Government has a $200,000,000 stake in these institutions and dividends are welcome.

Not the least significant of the developments in this line is a plan under which regional committees of bankers may operate much as the business conduct committees of the security exchanges, subject, of course, to final decision by the S.E.C. The closer business comes to self-rule the better both for it and the Government.

Will Collect

The Federal Housing Administration announces that delinquent borrowers under the insured home repair and modernization system will be compelled to pay up much in the manner of the enforced payment of taxes. The point to the announcement is that on December 31 there was a gross of $417,440 of such loans so far in default that the insurance fund of the administration had taken them over. Collections of $9,916 had been made, leaving a net of $407,-524. This is rather less than the usual delinquency in such loans.

S.E.C.

The general rules and regulations under the Securities Act of 1933 have been revised, rearranged and amended in a new compilation, issued by the Securities and Exchange Commission on January 20, and will become effective on March 15. The new compilation of rules does not alter the present procedure of the commission. The objectives were to clarify and simplify the meaning of the regulations, so that there could be no doubt as to the exact interpretation to be placed upon them, to delete obsolete rules and omit informal opinions. The rules are grouped according to subject matter, and their arrangement is based in general on the chronological order of steps involved in the registration of securities.

COMMERCE

Alexander V. Dye, the new Director of the Bureau of Foreign and Domestic Commerce in the Department of Commerce. He succeeded Claudius T. Murchison

U. & U.

National Exchange Registrations

The San Francisco Mining Exchange has been granted registration as a national securities exchange by the S.E.C. effective June 1. Application for registration of all its listed securities must be filed on the appropriate forms with the commission by April 1. The commission also asks that all data included on these applications be brought up to date by June 1. Extension of temporary exemption from registration was granted to the mining exchange from February 1 to June 1 so that it could continue to function until its official registration becomes effective June 1.

The Seattle Stock Exchange was granted temporary exemption from registration from February 1 until March 1 to allow the S.E.C. more time to consider its application for exemption. Exchanges which have already been granted permanent exemption include the Colorado Springs Stock Exchange, Milwaukee Grain and Stock Exchange, Minneapolis-St. Paul Stock Exchange, Richmond Stock Exchange, Wheeling Stock Exchange and the Honolulu Stock Exchange. The S.E.C. has also relinquished control of the Manila Stock Exchange.

Foreign Registrations

Unless the S.E.C. grants an extension, trading in all unregistered foreign issues must stop on March 31, as the present rules of the commission exempt foreign issues from registration only until that date. Notice was given by the commission that all foreign registration forms must be filed with it by March 1, as 30 days must elapse between the filing and effective date of a registration, according to S.E.C. requirements.

Among the countries which have so far applied for permanent registration of their bonds on national security exchanges are Argentina, Australia, Austria, Belgium, Bulgaria, Canada, Costa Rica, Czechoslovakia, Cuba, Denmark, Estonia, Finland, France, Greece, Haiti, Irish Free State, Italy, Poland and the Republic of Panama. Applications have also been received from Antwerp, Rio de Janeiro, Rome and the State of Sao Paulo, Brazil.

Small Trust Service

THE suggestion that a separate corporation might be created to maintain a pool of legal investments and to issue participations therein to trusts being administered by various corporate fiduciaries in a given area, was offered to the annual Mid-Winter Conference of the Trust Division, American Bankers Association, by Walter Wyatt, general counsel, Board of Governors of the Federal Reserve System.

Mr. Wyatt, whose subject was "Supervisory Policies of the Federal Reserve System", said it had been suggested that the Board should permit the investment of trust funds in pools of securities to a greater degree, so as to enable trust companies to provide better trust service to persons of small means. He pointed out that the mingling of funds of different trusts was contrary to the laws and court decisions of most states, and that the Board's regulations could not make such a practice lawful where it was in conflict with state statute.

"However," he asserted, "in those states in which the collective investment of trust funds is permitted under certain conditions, the practice offers advantages in the investment of the funds of small trusts which deserve careful and favorable consideration if it can be surrounded with safeguards which will afford adequate protection not only to the trust companies but also to the beneficiaries of the trust. However, there are difficult practical problems involved and there are serious dangers and temptations to be avoided and guarded against. How to surround the system with adequate safeguards without making it impractical to operate is a difficult problem which has not yet been solved."

Mr. Wyatt recalled that a Trust Division Committee had been studying the problem and that Committee representatives had recently conferred informally with representatives of the Board. The Committee is to make a further study, particularly with reference to the necessary safeguards, before offering a formal recommendation to the Board.

"One of the difficult practical problems in the operation of a pool of investments of trust funds," Mr. Wyatt continued, "is how to keep the funds fully invested and how to turn the investments into cash when that becomes necessary without having the trustee own a participation in the pool or buy from or sell to the pool. . . .

"It might be possible to create for this purpose a separate corporation to maintain a pool of legal investments and to issue participations therein to trusts being administered by various corporate fiduciaries in a given area. The most appropriate area would be a state, since legal investments vary from state to state. The corporation should not be an affiliate of or dominated by any one trust company and it would be better if none of the trust companies had any pecuniary interest in it. However, it might be managed or its investment policies directed by a board or committee consisting of representatives of the various trust companies in order to assure adherence to sound principles governing the investment of trust funds. If the investments were limited to those which are legal investments for trust funds and if the corporation were placed under the supervision of the state banking department, it ought to be easy to have its participation certificates made legal investments for trust funds."

How to Start a Financial Library

AN account of how a financial library was organized recently at Peoples-Pittsburgh Trust Company may be helpful to other institutions in a situation similar to ours a few months ago.

Without some systematic arrangement of material and coordination of facts, the most courageous banker might well be intimidated by the appalling array of current printed matter. With the new and changing legislation, interpretations (and interpretations of interpretations!), discourses and arguments—even if he had time to wade through half of it—his and the bank's interests would be better served by having tabulated facts easily accessible and classified material properly filed.

By ELLA I. CHALFANT

Librarian, Peoples-Pittsburgh Trust Company

With this in mind and a vision of the service that could be performed for the bank and its clients, a visit to the library at the Federal Reserve Bank of Cleveland made it possible for us to have the benefit of that institution's long practice. Observation of daily routine and systems and the inspiration of the excellent work being accomplished by its staff have greatly influenced our own setup.

We have made the vertical files the most important part of our Library. These cases contain valuable data too new to be incorporated in books: Senate and House bills, acts, mimeographed releases, state and Federal publications, pamphlets, clippings, the various advisory services to which we subscribe, etc. Library Bureau rules are followed in filing, with guides and cross-references to related subjects and titles. Instead of rummaging through papers or trying to recall half-forgotten facts, the busy executive has at his command quickly the resources of the library's orderly arrangement of data.

For our project, a well lighted room was assigned. Our own workmen refinished an old mahogany table for the use of readers. Chairs and a good lamp were provided. A cabinet, with sliding shelf and drawer and roomy spaces for storing supplies and book-mending tools, was fixed up in the same way. In glass-enclosed bookcases, repaired and refinished, are housed the set of state reports. It was necessary to install steel shelving to care for bulkier material, including directories, magazines, reference works, and our miscellaneous and general law collection. Files of newspapers and other publications, old directories, insurance reports, manuals, etc., are in the "archives"; but records are kept in the catalog.

Library of Congress classification is used for the book collection. Each volume has its pocket and corresponding card and is represented in the dictionary card catalog by at least one entry. Some require many, according to subjects treated. Magazines are checklisted and routed. On special subject cards are listed articles of especial interest, showing author, publication, date and page number. Through the Industrial Arts Index, supplemented by our own tabulation of periodicals not included elsewhere, we hope to make maximum use of financial and trade magazines. *Fortune's* five-year index and the Reference Supplement issued by BANKING are valuable helps.

In the short time this new department has been operated, actual recorded circulation to January 20 was 355, exclusive of books used in the room where no signature is recorded. This is particularly encouraging, because nothing new had been purchased and the turnover represents the borrowing of material previously held by individuals but now easily accessible to all departments. To improve facilities further, we are adding such basic reference tools as a definitive dictionary, "Who's Who in America", "World Almanac", New York City and other telephone directories; and the publications list has been enriched by several periodicals.

At the inception of our library not many people in the organization realized its possibilities, but those who used it appreciated the orderly arrangement and facility in getting what they wanted. The statistical and trust departments are the most consistent patrons, making daily use of the library. They had keys made, because they need to come in at all hours for books. The branches send their messengers or telephone requests; tellers and officials who come in direct contact with customers call for information or send clients up to the library; customers react favorably.

The library provides a restful atmosphere for conferences, and some department heads make such use of it. Students welcome the opportunity to prepare class assignments after banking hours and on Saturday afternoons. Junior executives are using the available material to aid them in their work, and the whole personnel is recognizing that the library has potential assistance to further advancement. Through our own facilities, supplemented by outside contacts, valuable data not otherwise available have been procured. The library is already an asset to the bank, and it is prepared to render a greater service as the collection and files are built up.

An interesting phase of the work is caring for inquiries, many of which involve research and trips to libraries in the Carnegie system and units of special libraries, Chamber of Com-

merce, University of Pittsburgh, Bureau of Business Research, etc.; for until our own resources are reinforced it is often necessary to make outside contacts for information required. One inviolable rule has been adopted: nothing is given out by the library unless it is authoritative, or at least based on the best sources obtainable.

Some library training assumed, a secretarial background with broad business experience is invaluable to one in charge of a financial library. Intuition and a knowledge of what might be helpful in a certain situation, an honest effort to bring to the attention of those most interested the latest printed news without duplicating other sources, unflagging zeal in systematizing the work—all call for tact and patience and long hours of toil. But the work is interesting, and there is a satisfaction in knowing that the library, if properly used, will do much to contribute to wise decisions on important policies and present fact pictures instead of guesses.

New Books

THE PROBLEM OF INVESTMENT. By F. I. Shaffner. John Wiley & Sons, Inc., 1936. 357 pages. $3.

Dr. Shaffner is instructor in economics and tutor in the Division of History, Government and Economics, Harvard University. His book undertakes to study the change-producing forces that affect investments, to indicate their effects, and to offer some recommendations for economic reforms. These objectives are considered with particular reference to the period since 1920.

The volume takes up various fundamental phases of the investment problem, industrial changes and their effect on investments, the importance of accurately appraising economic conditions and determining whither they are leading, recent tendencies in investment finance, business fluctuations, the matter of protecting investments and investors, and "the fallacy of safety" which Dr. Shaffner finds in mortgage bonds.

One long section of the book is devoted to the last named subject, and in it the author offers some interesting suggestions. He builds up a thoughtful case against the mortgage, finding that its only advantage is the priority it offers, although this, he believes, could be "almost as effectively bestowed without the use of a mortgage at all", inasmuch as preferred stock would "accomplish essentially the same purpose with a smaller possibility of subsequent embarrassment to the corporation." Also, it would simplify the financial structure.

Dr. Shaffner recommends that all new financing be restricted to the issue of common and preferred stocks "and that existing corporations having a fixed debt outstanding should, as soon as circumstances permit, convert their bonds into stock." Some of the more far-seeing companies, the author points out, have already done this; he mentions as an example the United States Steel Corporation.

If bonds are to be permitted at all, Dr. Shaffner thinks they should be limited to 20-year maturities, the maximum permitted by conservatism. He also holds that inasmuch as the business cycle must be contended with, "it would appear that a heavy and inflexible burden of fixed debt is not an appropriate institution to have in the middle of the picture." The idea of mortgaging property, he suggests, is fundamentally mistaken because it gives the bondholder "a fictitious impression of special protection and safety which in fact is seldom realized. It would be better to leave rights unstated, than to set them forth and have them unrealized."

As for the business cycle, Dr. Shaffner finds that the forces responsible for it are "inherent in business itself and will continue to operate regardless of what may be done to counteract them, although some counteracting effect can undoubtedly be accomplished." Furthermore, there is reason to believe that in the future these forces will be even more vigorous than in the past. In attempting to correct them we must guard against panaceas; "most social medicines have the unhappy faculty of aggravating the disease which they are designed to cure."

The forces producing change, the author notes, include the increasing rate of technical advance and the rapidly growing size of the corporation in recent years. Increasing corporate stature "has been accompanied by the use of devices—the holding company, non-voting, and blank stock, etc.—the effect of which is to disfranchise the stockholder and to divorce him from control.

Dr. Shaffner concludes, as have many before him, that riskless investment does not exist; rather, investment is

now accompanied by "an increasing degree of risk." The handling of investments is no job for the unaided layman. Living trusts and investment counsel houses, the author feels, have always had a "fairly good record" as advisers, although they are now available only to persons of large means. He thinks that people who "cannot pay for intelligent guidance should stick to government bonds or postal savings."

NINE HONEST MEN. By David Lawrence. D. Appleton-Century Company, 1936. 164 pages. $1.50.

Mr. Lawrence opens his plain-spoken, forceful book with the quoted exclamation: "Nine old men!" and adds one of his own: "With what sneers and innuendos critics of the Supreme Court of the United States employ that phrase nowadays! Because these nine men refuse to be guided by the passion or hysteria of partizan politics or by the crusading zeal of social reformers, their capacity to interpret the fundamental law has suddenly become the object of a vicious scorn. The true retort is:

"'Nine honest men!'"

The purpose of the volume, explains the noted journalist who wrote it, is to outline from the layman's standpoint the work of the Court in "certain issues of constitutional law that lately have been the subject of widespread discussion." Published before the T.V.A. decision, it nevertheless embraces the A.A.A. decisions, and there are numerous references to other New Deal cases.

On the premise that members of the Court are incapable of being influenced by political opinion or politics, Mr. Lawrence discusses in detail decisions of the justices on various enactments of the past few years. Analyzing the legal principles that decided the unconstitutionality of the N.R.A. and the A.A.A., he discusses the Guffey Coal Act and the Wagner Labor Law and finds them probably invalid. Certain provisions of the Public Utility Holding Company Act he also points to questioningly. There is a chapter on "Abusing the Postal Power" and another on "Freedom of the Air" in which pertinent matters are considered.

Mr. Lawrence finds that both New Dealers and their opponents "are confusing the so-called constitutional issue as it is being developed for the 1936 campaign." The real issue "is not the fact that the Constitution might be changed, but by what method it shall be changed." And that method, he points out is provided by the Constitution itself.

The Printed Page

TRAINED bankers can serve a valuable purpose in combating economic fallacies. An example of the dangers inherent in attractive but unsound theories was recalled last month by the death of "Coin" Harvey, a famous figure of the late nineteenth century.

J. Laurance Laughlin, in his book, *The Federal Reserve Act* (Macmillan, 1933), says: "The history of the origin of the Federal Reserve System dates back to a series of monetary movements. The first important movement after the earlier greenback campaign was the attempt to establish a single silver standard. This began with the publication by "Coin" Harvey of *Coin's Financial School*, of which about six hundred thousand copies were sold."

Below, one of the numerous drawings in the Harvey book.

The Credit Inquiry

"WELL," said the commercial credit man as he settled down for a visit with the bank's credit manager, "the only fault I find with the banks is that in credit information to the commercial houses they're too fond of generalities, they're too uninformative, and they don't cooperate as much as they might. I might add that because of the generalities, the commercial people are tending to disregard the credit inquiry to the bank and are relying more upon trade reports and other sources of information for their credit files."

"Maybe you're a little hard on us," replied the banker. "Have you any idea of the amount of mail a bank's credit department receives or the contents of it? Let me show you what I mean."

Taking a letter from his desk he read:

"'We shall be pleased to have you favor us with any information you may have on ————. We shall be pleased to reciprocate at any time.'

BANKS' UNIQUE POSITION

"THIS sort of inquiry," the banker continued, "may be all right for trade connections and their credit departments, but it cannot be answered in detail by the bank without quoting almost everything about the account. Another matter, of course, is whether the inquirer has the right to the information he's after. Much of the correspondence from your commercial firms does not bear manual signatures; consequently the bank has prepared a form letter for reply."

"Oh, I'll admit," said the credit man, "that not all firms address their inquiries to the bank's liking. But you know the usual line of bank credit information: 'The name in your inquiry of such and such a date has maintained an account with us for several years. The relationship has been entirely satisfactory and we believe the company is a good risk.' That's almost useless to the commercial house. To my mind, it's useless even to attempt to work from that reply.

"And then sometimes the bank says: 'The customer will not make commitments beyond his ability to repay; however, this is merely an opinion and is expressed without liability on our part.' Now what sense is there in writing such a letter? In one breath you say he's good, and in the next you disclaim any responsibility for saying so."

"Yes," answered the banker, "all those criticisms were made of the banks in this city, too, at one time. But we hit upon a scheme to get and receive credit information. Most of the principles were adopted from the Robert Morris Associates' rules of procedure.

"First, we asked the commercial firm to be sure that the transaction justified a checking with the customer's bank. This saved lots of time, confusion, delay and correspondence. Next, we suggested that each transaction be handled separately, eliminating form letters and burdensome questionnaires. Thus each item could be intelligently handled by the banks and the necessary amount of information given. One of the principles laid down, I might mention, was that each inquiry addressed to a bank should contain the amount of credit sought.

"Then we suggested that the commercial firm put a real meaning into its phrase about reciprocation. We asked that it give its experience, if any, with the account, for the benefit of the bank files.

"Circular letters were no longer broadcast in the hope of finding the customer's bank by the hit or miss method, and the commercial houses were more careful about getting names and initials right.

MUTUAL UNDERSTANDING

"I MIGHT say that the business men generally have lived up to these rules and that the banks have kept their part of the bargain. The plan was worked out rather gradually, by having the banks' credit men speak to the commercial credit men at every opportunity—dinners, banquets, at their offices."

The banker's visitor smiled. "Thanks for some good tips," he said. "Maybe I can make some changes in my own letters."

"You're quite welcome," continued the banker. "I thought you'd be interested. Credit information, as you know, can't be passed around promiscuously. If you commercial men would go to the trouble of telling us something about the account as you know it, and then would sign—not rubber stamp—your letters—I think you'd find the banks wouldn't be too reticent.

"It seems to me that there's a system to be built up for the credit inquiry. A bank can't answer the kind of inquiry that's sent to a commercial concern. Remember that the next time you write a letter!"

Advisory Trusteeship

(CONTINUED FROM PAGE 27)

New Zealand and some of the states of Australia have adopted statutes providing for and defining the functions of the advisory trustee. The provisions of the statute of the State of Queensland may be taken as typical. The Queensland statute refers throughout to the public curator—who is the same as the public trustee in England and in other states and provinces of the British Empire—but in the United States for public curator or public trustee there would be substituted a trust institution or even an individual as trustee.

The main provisions of the Queensland statute on advisory trustees are:

In the administration of any trust estate as trustee the public curator may act with an advisory trustee or advisory trustees to the extent provided by law.

An advisory trustee or trustees may be appointed (1) by order of the court made on the application of any beneficiary or of any person on whose application the court would have power to appoint a new trustee, or (2) by the trust instrument, or (3) by any person having power to appoint new trustees.

Where the public curator acts with advisory trustees the trust property shall be vested in the public curator, and he shall have the sole management and administration of the estate and its trusts as fully and effectually as if it were the sole trustee, provided (1) he may consult the advisory trustees on any matter relating to the trusts or the estate and (2) the advisory trustees may advise the public curator on any matter relating to the trusts or the estate.

In case of differences between the public curator and the advisory trustee, either one may submit the matter in dispute in a summary manner to a judge of the court in chambers, whose decision thereon shall be final and shall bind both the public curator and the advisory trustee.

No person dealing with the public curator shall be concerned to inquire as to the concurrence or otherwise of the advisory trustees, or be affected by notice of the fact that the advisory trustees have not concurred.

The power of appointing a new advisory trustee when exercisable by the continuing advisory trustees shall be exercised by them alone, but the public curator shall have the same power of applying to the court for the appointment of a new advisory trustee as is possessed by any other person.

It is provided by regulation that, subject to the provisions of the trust instrument (if any), the remuneration of advisory trustees shall, in the case of each estate, be such as is fixed by the public curator with the concurrence of the advisory trustees, or, if they do not agree, then by the prime minister.

This brief statute covers the principal points that are likely to arise with respect to advisory trustees—such, for instance, as the method of appointment, the powers and duties of the managing trustee, the steps to be taken in case of difference of opinion between the managing and the advisory trustees, the duty of the public to inquire into the concurrence of the managing and the advisory trustees, the method of appointment of new advisory trustees, and their remuneration. Under this statute the trust institution as managing trustee still has sole management and administration.

The need for advisory trusteeship or some device of that nature which would obviate the difficulties and disadvantages of co-trusteeship is generally recognized among lawyers and trust men. It is well known that many business men, when appointing a trust institution as executor and trustee, would like to take advantage of an opportunity to appoint one or more advisory trustees to cooperate with their corporate executor or trustee. A testator often desires to have a business associate, an intimate friend, a public accountant or his family lawyer associated with his bank or trust company in the administration of the estate. Yet he hesitates to make such an arrangement because of the well known disadvantages and difficulties of co-trusteeship.

NO ADVANTAGES LOST

BY means of the device of advisory trusteeship all the advantages of the trust institution—such as its experience, its collective knowledge, its composite judgment, its continuity, and its financial responsibility—as well as the peculiar knowledge or special ability of the person the testator desires to associate with his bank or trust company may be obtained without any of the attendant disadvantages of co-trusteeship. The advisory trustee or trustees may be appointed by the testator when making his will, by a settlor when creating a trust, or by an order of court made on the application of a beneficiary or of any other person entitled to apply for the appointment of a new trustee.

In New Zealand and Australia, it is reported, the system of advisory trustee has worked very smoothly.

THE TRAVELERS

L. EDMUND ZACHER, *President*

HARTFORD CONNECTICUT

Annual Statements *December 31, 1935*

THE TRAVELERS INSURANCE COMPANY

(Seventy-second Annual Statement)

ASSETS		RESERVES AND ALL OTHER LIABILITIES		
United States Government Bonds	$248,437,624.45	Life Insurance Reserves		$671,217,559.89
U. S. Government Guaranteed Bonds	6,790,175.00	Accident and Health Insurance Reserves		9,651,416.17
Other Public Bonds	73,423,055.00	Workmen's Compensation and Liability Insurance Reserves		48,281,435.15
Railroad Bonds and Stocks	61,451,746.00	Reserves for Taxes		4,231,141.86
Public Utility Bonds and Stocks	64,891,578.00	Other Reserves and Liabilities		2,321,383.34
Other Bonds and Stocks	39,294,804.40	Special Reserve		12,140,270.74
First Mortgage Loans	66,222,088.59			
Real Estate—Home Office	12,195,819.98			
Real Estate—Other	46,054,905.17			
Loans on Company's policies	119,860,667.11			
Cash on hand and in Banks	12,870,001.31	Capital	$20,000,000.00	
Interest accrued	8,861,115.66	Surplus	20,067,784.56	
Premiums due and deferred	26,949,977.11			
All Other Assets	607,433.93			40,067,784.56
*TOTAL	$787,910,991.71	TOTAL		$787,910,991.71

THE TRAVELERS INDEMNITY COMPANY

(Thirtieth Annual Statement)

ASSETS		RESERVES AND ALL OTHER LIABILITIES		
United States Government Bonds	$4,782,097.00	Unearned Premium and Claim Reserves		$8,163,878.43
Other Public Bonds	2,061,183.00	Reserves for Taxes		388,100.39
Railroad Bonds and Stocks	1,808,346.00	Other Reserves and Liabilities		488,644.74
Public Utility Bonds and Stocks	1,466,331.00	Special Reserve		7,410,246.47
Other Bonds and Stocks	11,319,476.00	Capital	$3,000,000.00	
Cash on hand and in Banks	2,389,576.90	Surplus	6,285,826.27	
Premiums in Course of Collection	1,817,658.85			
Interest accrued	92,027.55			9,285,826.27
*TOTAL	$25,736,696.30	TOTAL		$25,736,696.30

THE TRAVELERS FIRE INSURANCE COMPANY

(Twelfth Annual Statement)

ASSETS		RESERVES AND ALL OTHER LIABILITIES		
United States Government Bonds	$9,932,000.00	Unearned Premium and Claim Reserves		$11,933,793.39
Other Public Bonds	505,500.00	Reserves for Taxes		512,716.38
Railroad Bonds and Stocks	1,379,850.00	Other Reserves and Liabilities		121,835.88
Public Utility Bonds and Stocks	3,194,316.00	Special Reserve		2,549,682.43
Other Bonds and Stocks	2,924,676.00	Capital	$2,000,000.00	
Cash on hand and in Banks	1,834,284.93	Surplus	4,221,725.33	
Premiums in Course of Collection	1,420,752.08			
Interest accrued	126,440.13			
All Other Assets	21,934.27			6,221,725.33
*TOTAL	$21,339,753.41	TOTAL		$21,339,753.41

THE CHARTER OAK FIRE INSURANCE COMPANY

(First Annual Statement)

ASSETS		RESERVES AND ALL OTHER LIABILITIES		
United States Government Bonds	$1,017,000.00	Reserves for Taxes		$ 200.00
Cash on hand and in Banks	185,630.71	Capital	$500,000.00	
Interest accrued	5,348.45	Surplus	707,779.16	
				1,207,779.16
*TOTAL	$1,207,979.16	TOTAL		$1.207,979.16

*Assets include securities deposited with State and other authorities, as required by law:
The Travelers Insurance Company $19,354,817.00; The Travelers Indemnity Company $1,200,093.30; The Travelers Fire Insurance Company $605,790.00; The Charter Oak Fire Insurance Company $300,000.00.

ALL FORMS OF LIFE, CASUALTY AND FIRE INSURANCE

Radio Advertising

(CONTINUED FROM PAGE 29)

that therefore other channels can well be used to arouse and keep interest alive at all times in the radio program.

A new radio advertiser is often discouraged by the absence of a large amount of "fan mail." Many still remember the days when trucks hauled the letters to radio stations and sponsors. They are inclined to recall the report of one million requests being received for sample bottles of an antiseptic offered over a nationally known program; of the 200,000 requests received in one year for the budget plan offered by another radio advertiser; and the 12,000 requests for mere reprints of a single broadcast by a certain bank.

The new radio advertiser is apt to look at these remarkable reports and feel that he certainly should get quite a bit of fan-mail, even though he doesn't offer something free. What he forgets is that the newness has worn off radio. In the early days people did write fan-mail, lots of it. Announcers were besieged for photographs, and nearly every advertiser, whether he gave away souvenirs or not, received staggering quantities of mail. In those days tremendous amounts of fan letters were the rule; today they are the exception. Radio, in short, has been accepted as a part of every-day life.

If the advertiser would consider the reactions to other forms of advertising, he would not wonder so much at the lack of radio fan-mail, and would not worry about it. For example, when an advertiser carries an advertisement with a striking illustration done by some nationally known artist, or when he sends out a beautiful and costly direct mail piece, he does not expect a truck-load of compliments on the picture or the beauty of the folder. Why, then, should he expect this of radio? Why expect people to applaud the choice of attractions used merely to gain their attention to an advertising message?

RESULTS

AS far as real results go, a bank will get them from radio just as from any other major advertising medium, always providing, of course, that the logical necessities of properly utilizing this medium are observed. But it will quite likely be just as difficult for the bank to trace results directly to radio as it is to trace them directly to other forms of advertising. After all, few good advertisers use radio, or any other medium, alone. They realize that each major channel has its own field of effectiveness, and they do not expect any one to do the whole job. Radio is no exception. If it had not produced results, it would have fallen by the wayside long ago. Instead, it has demonstrated its effectiveness and has established itself firmly as one of the foremost forms of modern advertising.

The most important points for the prospective radio advertiser to remember are: (1) to determine the institutional feeling he wishes to convey, and the service or services he wishes to sell; (2) to determine the type of person comprising his logical market; (3) to determine the habits, likes and dislikes of this audience; (4) to select the station, time and type of program accordingly; (5) to merchandise thoroughly the program to the prospective audience and to the members of the organization; (6) to give radio a fair chance, to use it long enough to gain full advantage of its cumulative effect, and not to expect it to work miracles.

These points are already fundamentals in the use of other advertising media, and there is no logical reason why they should not be employed with radio. In fact, if results are to be commensurate with cost, they must be employed.

Better Construction

THE Federal Home Loan Bank Board has offered its 3,460 member institutions a home building service plan, the purpose of which is to make home construction safer and easier for prospective owners and to protect them against excessive cost and jerry building.

Advantages of the proposal are described in a recent number of the Federal Home Loan Bank *Review*, which says the plan would bring to home builders seeking mortgage loans from the member associations a wide variety of sound architectural designs, approved specifications and technical advice, as well as service in getting bids, selecting contractors, and supervising and inspecting the construction work. The home owner would deal directly with the lending institution in his community.

"This plan," says the *Review*, "offers families of modest means a safeguard against poor housing. The hundreds of thousands of homes that were lost to their owners during the depression have taught large numbers of people the need for such protection. They realize that the average family cannot without competent aid provide itself a well designed and well built home in a protected neighborhood within its capacity to pay for."

Member institutions would reimburse the Board for the small cost, which in turn would be assumed by the home owners using the service. It is estimated that the amount would be 2 per cent of the construction cost.

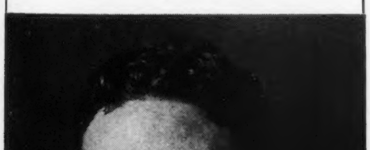
COOPERATION FURTHERED

THE plan, it is explained, does not put financing institutions into competition with, or control of, architects, builders or material dealers; rather, it facilitates their cooperation, as has been shown in the experience of the reconditioning division of the H.O.L.C., which has used a comparable supervisory service.

"Through the American Institute of Architects," says the announcement, "the architects as a profession have endorsed the idea of a home building service plan and offered to serve the home owner-borrower, through the home financing institutions, at a fee commensurate with the cost of a moderate-priced house."

EXPORT-IMPORT

Warren L. Pierson is the new president of the Export-Import Bank, succeeding George N. Peek. Mr. Pierson has been the bank's general counsel



HARRIS & EWING

Recent Regulations

(Continued from page 41)

periodic deposits have been made during a period of not less than 3 months". Regulations IV and Q differ as to the *mere reservation of the right to require notice* as in the case of a time c/d, above.

(e) The requirements for a "savings deposit" follow:

1. Credit must be given to, or the entire beneficial interest must be held by, one or more individuals or a single non-profit corporation or other non-profit organization. A deposit to the credit of an individual in which a "profit" concern has any beneficial interest is not a "savings deposit". The prohibition against "savings deposits" belonging to "profit" concerns does not apply to such deposits in nonmember insured banks at the close of business on February 1, 1936. Such savings accounts can be maintained indefinitely. However, they cannot be augmented by new deposits but only by accumulated interest on net balances after deducting withdrawals.

2. A "savings deposit" must be evidenced by a pass book.

3. The bank (except a nonmember insured bank which "consistently continues to adhere to a practice existing prior to January 23, 1936, of requiring notice of at least 15 days before permitting withdrawal") must require, or have the right to require, at least 30 days' written notice for withdrawal.

4. The bank must require presentation of passbook for a withdrawal, except a withdrawal by the *depositor individually.*

5. A passbook may be presented through the mail and payment may be made through the mail "or otherwise."

6. Requirement of presentation cannot be met by presentation by an officer, agent, or employee of the bank of a passbook or duplicate retained by the bank or by any of its personnel except where the bank *itself* holds the passbook as fiduciary "of an estate" or as collateral for a loan.

7. A passbook retained by the bank cannot be delivered to another than the depositor for presentation but can be delivered to an agent of the depositor for transmittal to him.

8. Entry must be made in the passbook when the withdrawal is made, or if passbook is not then presented, as soon as practicable.

(f) "Interest" as defined in IV means "a payment or credit which is made or furnished by a bank as consideration for the use of the funds constituting a deposit." It "includes any direct or indirect payment by the bank of the purchase price of *premiums* given to depositors or prospective depositors in connection with obtaining deposits" but "does not include the payment or absorption of taxes upon deposits, whether levied against the bank or the depositor, nor payment or absorption of premiums on surety bonds securing deposits where such bonds are required by or under authority of law." The definition of "interest" in Q (quoted in large part on page 40 of January BANKING) referring to the absorption of exchange and collection charges has been suspended by the Board of Governors.

SECTION 2. DEMAND DEPOSITS.

(a) Payment "directly or indirectly by any device whatsoever" of interest on demand deposits is prohibited.

(b) Exceptions to general prohibition:

(1) Interest accruing before August 24, 1937, on deposits by mutual or stock savings banks.

(2) Interest accruing before August 24, 1937, on deposits of public funds made by or for a state or a political subdivision (including school districts and the like) or on deposits of trust funds if such interest is required by state law when such deposits are made in state banks (funds paid into state courts by private parties pending litigation are not public funds).

(3) Interest under certificate of deposit or other contract entered into in good faith which the bank may not legally terminate or modify "at its option and without liability". The bank shall take prompt action to eliminate the provision for such interest. A nonmember insured bank must have made such contract before February 1, 1936, or such later date as it became insured; a member bank, before June 16, 1933, or such later date as it became a member.

(c) Checking accounts in stock "savings banks" are expressly declared by IV to be demand deposits.

SECTION 3. MAXIMUM RATE OF INTEREST ON TIME AND SAVINGS DEPOSITS.

(a) Maximum interest rates on time and savings deposits will be prescribed from time to time by the Corporation and by the Board of Governors as to insured nonmember banks and member banks, respectively, in supplements issued in advance of their effective dates. The first supplements fix the following maximum rates:

Savings deposits	2½ per cent
Postal savings time deposits	2½ per cent
Other time deposits depending on maturities or length of notice required:	
six months or more	2½ per cent
less than six months and not less than 90 days	2 per cent
less than 90 days	1 per cent

Such supplements apply to interest accruing after these dates:

February 1, 1936 (as to nonmember insured banks)

January 31, 1935 (2½ per cent rate as to member banks)

January 1, 1936 (2 per cent and 1 per cent rates as to member banks)

Interest may be compounded at other than quarterly intervals (or computed on any basis) if the amount involved is not greater than interest at the specified maximum rate compounded quarterly. A higher rate may be paid under certificates of deposit or other contracts, which cannot be legally terminated or modified by the bank "at its option and without liability", made by:

(1) Nonmember insured bank be-

fore February 1, 1936 (or such later date as it became a nonmember insured bank), or

(2) Member bank before December 18, 1934, as to 2½ per cent rate and before December 1, 1935, as to 2 per cent and 1 per cent rates (or, in either case, such later date as it became a member bank).

It is expressly required as to member banks but not as to nonmember insured banks that the contract shall have been "lawfully" entered into "in good faith".

A nonmember insured bank's certificates of indefinite maturities outstanding January 23, 1936, drawing interest as savings deposits are specifically prohibited from drawing such interest after February 1, 1937, unless converted into "savings deposits".

(b) A bank shall as soon as possible bring inconsistent contractual obligations into conformity with the provisions of IV or Q, whichever is applicable.

(c) (d) (e) (f) A national bank cannot pay a greater rate of interest upon a time or savings deposit than that authorized by law to be paid upon such a deposit by a state bank or trust company in the particular state (in Q only).

Savings deposits received during the first five days of a month may carry interest at the maximum rate from the first day of such month.

The applicable maximum rate of interest on time or savings accounts applies until maturity or expiration of the period of notice. Interest is prohibited on a time or savings deposit after maturity whether such maturity is due to expiration of notice of withdrawal or otherwise. However, a time certificate may be renewed by a nonmember insured bank but not by a member bank within ten days of maturity without loss of interest; the certificate may be dated back to such maturity date. Regulation IV omits the express statement of Q that a notice of withdrawal may be rescinded.

SECTION 4. PAYMENT OF TIME DEPOSITS BEFORE MATURITY.

(a) (b) (c) Time deposits cannot, in general, be paid before maturity or expiration of the required notice.

(d) (e) The sole restriction on a loan by a bank on its own time deposit is that the interest rate shall be at least 2 per cent more than the rate on the deposit.

A nonmember insured bank can repay money on time deposit before maturity to the extent required to meet the depositor's need under the following conditions:

(1) A loan on the time deposit cannot be arranged on mutually satisfactory terms.

(2) Borrower's statement is on file in bank to the effect that he is in need of money on time deposit, stating definite amount needed.

A member bank can repay money on time deposit before maturity as follows:

(1) "Emergency" involving "great hardship".

(2) Withdrawal of "time deposit or the portion thereof necessary to meet such emergency".

(3) Application signed by depositor describing fully the emergency.

(4) Approval of application by bank officer who shall certify that to the best of his knowledge and belief its statements are true.

(5) Application retained in files and made available to examiners.

The two regulations contain similar provisions as to forfeiture of accrued and "*unpaid*" interest on amount withdrawn for at least three months. If either class of bank repays a portion of a time certificate before maturity it shall be cancelled and a new certificate issued for the unpaid balance with the same terms except as to amount.

SECTION 5. NOTICE OF WITHDRAWAL OF SAVINGS DEPOSITS.

(a) Banks must have non-discriminatory practices as to requiring or not requiring notice of withdrawal of savings deposits "subject to the same requirement". A practice may be based on the "amount" as well as the percentage of the savings deposit, so that, for example, a bank can waive notice as to withdrawals up to $500. A bank may pay interest on savings accounts without notice during next interest period after accrual notwithstanding its general practice of requiring notice for withdrawal of savings deposits.

(b) Change of practice requires duly recorded action of the board of the bank or of the "executive committee properly authorized".

(c) Discrimination between depositors shall not be object of change of practice.

(d) A non-interest-bearing savings deposit is subject to the provisions of this section.

(e) The sole restriction on loans by an insured nonmember bank on savings deposits with it is that its practice as to requiring notice for withdrawal shall apply by analogy to loans. For member banks the sole restriction is that if its practice is to require notice for "savings deposits or any amount or percentage thereof", the rate shall be at least 2 per cent higher than on the deposit.

WATCH YOUR LINES OF COMMUNICATION

By J. Stanley Brown

A senior executive of a certain international corporation said the other day: "I am always interested in the young fellow with some technical training, who acts as if he could be taught to write. We've given up looking for young men who already know how to write; we have organized a class to teach a few of them to do so." That executive was referring to plain, ordinary, business English - not poetry, drama, or music.

The same man - he isn't a banker, by the way - during the same conversation nodded toward a young employee and said: "There goes Tom Jones. He'd be an officer of this company by now, only somehow he's never gotten around to acting like one."

Those two incidents sum up to the same thing - there is no over-supply of young folks who have the requisite mechanical training for ultimate leadership plus satisfactory training in the personal art of selling themselves to an employer and selling that employer to the public. It may once have been true that a good mousetrap would motivate a beaten path to the doorway of its inventor; but nowadays that mousetrap needs salesmanship. It is certainly true that before a man can succeed he must have something, tangible or intangible, to sell; but it is just as true that the man (or business institution) must also know how to sell it.

SAME IS TRUE OF POTATOES

For instance, my Cousin Herkimer is a farmer. Last year he planted potatoes. He arose every morning at 4 o'clock, worked every day until sundown, hoed and cultivated and sweated and swore for five or six long months. At the end of that period Herk had a thousand bushels of excellent potatoes. But he couldn't sell them! So he was no better off than his neighbor, who'd been on relief a year or more and lifted nary a finger from dawn to dusk.

I know lots of young business people like my Cousin Herk. They have worked and studied and finally acquired plenty of specialized knowledge and training; they have much to sell, but have ignored any preparation in the science of selling it. And it is beyond all argument that the man who cannot sell himself will never be able to sell his institution; will never be placed by that institution in any truly representative capacity.

At this point, it is proper for the youngster to counter with the question, "What do you mean, 'Sell one's self'?" And the answer is, learn to speak and write the English language. Try to realize that an education in banking, law, or what not, is merely a mechanical thing until you have learned to translate it understandably to your fellows. The fact is that a beehive at the Arctic Circle is no more anomalous than a fine education in a mute or nonliterate body.

Of course, the pity of it is that there is always need for the fellow who knows the mechanics of his industry or business, and who can also describe those mechanics in oral and written English. The executive mentioned above is not a fictional character, nor was the need he described a figment of imagination.

To come down to present cases, what bank has an oversupply of credit men who can also handle credit correspondence? What bank comptroller has an oversupply of auditors who can handle customers' complaints and inquiries? And what percentage of the younger generation of bankers can stand on their feet and talk for ten minutes, be the audience a lone vice-president or a credit association?

I am confident that John Doe, Jr. is missing a bet here. For the law of supply and demand applies to personal service as to all else, and the man who knows his subject and knows also how to sell it is comparatively rare indeed.

SUCCESS AND THE ABILITY TO WRITE

What to do about it? I wonder if the answer may not lie hidden in the artificiality of our modern existence? I wonder if our schools and colleges are not taking too much for granted in an assumption that the acquirement of good English is more or less a natural process - something God-given or not given at all? Why is English grammar and idiom to be acquired any less laboriously than the multiplication table? Drawing-room or pool-room English, perhaps; but not business English, for that is artificial, that is governed by certain rules of custom and convenience which are not to be ignored. And those rules can only be learned by study and planned observation.

So perhaps the bank youngster who is not getting ahead should survey his lines of communication. Possibly he has neglected one of the principal factors separating man from animal, the "gift" of words, written or spoken.

And, perhaps the senior banker who complains of the violence done his bank's correspondence had best look over the training of his annual crop of junior employees. Possibly emphasis on accounting, economics, and commercial law has excluded consideration of the fact that a bank's customers pay to have these sciences interpreted, in plain, simple, grammatical English.

The Lending Powers of Building and Loan Associations

A Digest of State Laws

(*This completes a summary begun in the February issue of* BANKING)

UTAH

Every building and loan association has the power to loan its funds on notes secured by mortgages which are first liens on real property in an amount not to exceed 60 per cent of the appraised value thereof or upon members' stock to the extent of 90 per cent of the then withdrawal value thereof. Chapt. 7, Sec. 1, Laws of Utah, 1933.

Any loan made by such association to a member may be repaid at any time after three years, provided the borrower shall have given six months' notice in writing of his intention to pay such loan, by the payment of the principal due thereon with the interest accrued at the date of such payment, less the withdrawal value of the shares pledged as security and surrendered by the borrower. 7–5–13, Rev. Stat. Utah, 1933.

VERMONT

Every cooperative savings and loan association is authorized at its stated meetings to offer its funds to members of the association for loans. If there is more than one member desiring to borrow, their right to a loan shall be determined by an open bidding of an addition to the regular rate of interest and the member bidding the highest premium shall be entitled to the loan upon giving proper security. The receiving of such a premium or interest paid on the loan shall not be deemed a violation of the usury laws. A member shall not borrow a larger sum than shall be equal to the maturity value of the shares owned by him. §6881, Public Laws of Vermont, 1933.

A borrowing member, for each share or fractional part thereof borrowed upon, in addition to the dues on his shares, shall pay monthly interest on his loan at such rate not exceeding 6 per cent per annum as the by-laws shall name, together with a premium bid until the shares borrowed upon reach the matured value of $200 each or the loan is repaid. §6882, Public Laws of Vermont, 1933.

For every loan made, a first mortgage upon real estate shall be given, accompanied by transfer and pledge to the association of the shares borrowed upon, or in lieu of a mortgage the borrower may transfer and pledge to the association for the payment of the loan unpledged shares, the withdrawal value of which, under the by-laws, at the time of such borrowing, shall exceed the amount borrowed and interest thereon for six months. §6883, Public Laws of Vermont, 1933.

A borrower may repay his loan and all arrears and interest and fines thereon at any time, either in full or in sums of $50 or multiples thereof. §6884, Public Laws of Vermont, 1933.

Associations may impose and collect a fine, not exceeding 2 per cent for each month in arrears, for every dollar of dues or interest which a shareholder shall refuse or neglect to pay at the time it is due. §6877, Public Laws of Vermont, 1933.

Associations are authorized to make loans and advances of credit pursuant to Title I, Section 2 and Title II of the National Housing Act. Act 170, Laws of Vermont, 1935.

VIRGINIA

Every building and loan association may fix by its by-laws the premiums or bonus at which it will dispose of the money in its treasury to its shareholders and lend to any member or shareholder the par value of any shares standing in his name less such premium or bonus, and such association may charge and receive said premium in advance or in instalments. If there are excess funds in the treasury, the association may lend money to other persons on such terms as may be agreed upon and in such manner as may be fixed by the by-laws; provided that where the association lends its funds, taking as security any order or assignment of the wages of the debtor, tangible personal property, or any security except real estate or the shares of said association, the laws in reference to the conduct of the business of lending money and the rates to be charged therefor shall apply to building and loan associations as to other persons or corporations. §4167(6), 1932 Supp. to Virginia Code, 1930.

A borrower may repay the loan at any time, but in the case of the repayment thereof before the maturity of the loan, the borrower shall pay an amount for the privilege as may have been agreed upon or is provided for in the by-laws, and there shall be refunded to such borrower, in case the premium shall have been deducted in advance, such proportion of the premium bid as the by-laws may determine. §4167(6), 1932 Supp. to Virginia Code, 1930.

Every association may levy, assess, and collect from members to whom loans have been made interest upon the par value of the shares redeemed and may levy, assess, and collect fines for the nonpayment of dues, or for failure to comply with or perform any other obligation to the association. The amount of the respective fines shall be fixed by the by-laws. §4167(6), 1932 Supp. to Virginia Code, 1930.

WASHINGTON

A building and loan association may employ its funds in the making of first mortgage loans, substantially all of which shall be made to members. Straight mortgage loans not amortized at least annually are prohibited. Loans insured

under provisions of Title II of the National Housing Act shall not be in excess of 80 per cent of the appraised value of the property. Monthly repayment loans not so insured shall not be in excess of 60 per cent of the appraised value of the property, except that where the property is occupied by the borrower and the building thereon is less than one year old at the date of the mortgage, the loan shall not be in excess of 66⅔ per cent of the appraised value. §3717-49, Remington's Revised Statutes of Washington.

An association may loan upon the security of its own shares up to 75 per cent of the amount of the withdrawal value thereof. §3717-50, Remington's Revised Statutes of Washington.

The borrowers shall pay the full amount of their indebtedness to the association and shall not be entitled to set-off or counterclaim against said indebtedness the withdrawal value of the shares owned by them save where the purchase of a stipulated amount of shares was a prerequisite to obtaining the loan, and in that event the borrower shall be entitled to offset the withdrawal value of such shares against said loan. §3717-44, Remington's Revised Statutes of Washington.

WEST VIRGINIA

Any building and loan association may invest its funds (a) in loans to its shareholders secured by bonds and mortgage on real estate, accompanied by a transfer and pledge to the association of shares having a matured or par value equal to the amount of the loan; (b) in loans to shareholders upon their obligations secured by the transfer and pledge to the association of shares not previously transferred or pledged to it, the withdrawal or par value of which shall at least equal the amount of the loan. Excess funds may be invested in loans to persons not members or to members without pledge of their shares on bonds or obligations secured by mortgages which are first liens on real estate. §3164(12), West Virginia Code of 1932.

Any building and loan association may charge premiums or interest in excess of the legal rate upon loans to its shareholders if the by-laws so provide and fix the rate of premiums in addition to the rate of interest to be paid upon such loans, such premiums always to be a definite, certain, and fixed amount for any loan and to be payable in advance or in instalments at the same time as the periodical instalments of dues and interest. No premiums, fines, or interest on such premiums that may be charged according to this provision shall be deemed usurious. §3164(10), West Virginia Code of 1932.

Any loan made by a building and loan association to a member may be repaid at any time by payment of the principal due thereon, the premiums earned, and the interest, fines, and other charges accrued at the time of such repayment, less the withdrawal value of the shares transferred as security therefor. §3164(15), West Virginia Code of 1932.

Building and loan associations are authorized to make loans pursuant to Title I, section 2, and Title II, of the National Housing Act. §3202(1), 1935 Supp. to West Virginia Code of 1932.

WISCONSIN

Building and loan associations shall have power to assess and collect from members fees, dues, fines, interest, premiums and other charges, and the same shall not be held usurious; and to make loans to members; all upon such terms and conditions as their by-laws may provide. 215.07 Wisconsin Statutes, 1931.

If by-laws provide for payment of premiums on loan without fixing rate thereof or the manner of bidding, the member bidding the highest premiums for the priority of the loan shall be entitled thereto to the extent of the stock held by him, with interest as fixed in the by-laws, and with security satisfactory to the board of directors. The premiums may be a certain sum or percentage of the loan and be deductible in advance or payable in periodical instalments. 215.14 Wisconsin Statutes, 1931.

Loans shall be secured by first mortgage on Wisconsin real estate, in the county in which the association is located or within 50 miles of its office and shall be accompanied by pledge of the borrower's shares. Such mortgage security may be dispensed with when the withdrawal value of the shares borrowed upon shall exceed the amount borrowed and interest thereon for six months. 215.15 Wisconsin Statutes, 1931.

WYOMING

For every loan made by a building and loan association a note or bond specifying the rate of interest and premiums to be paid thereon, secured by first mortgage on improved real estate shall be taken, upon which security no loan shall be made that shall exceed 65 per cent of its conservative value. The directors in their discretion may also loan upon the security of shares in the association not to exceed 90 per cent of their withdrawal value. 17-109 Wyoming Revised Statutes, 1931.

A borrower may repay his loan at any time after one year on giving thirty days' written notice. He shall be charged with the amount of the original loan and interest, premiums, membership fees and fines in arrears and interest on the remaining cash balance for three months additional, and be given credit for the withdrawal value of his shares pledged as security. 17-110, Wyoming Revised Statutes, 1931.

Any permanent plan building and loan association shall have power to assess and collect from its members fees, dues, premiums and fines and to make loans to members. 17-203 Wyoming Revised Statutes, 1931.

Loans shall be secured by mortgage on real estate or personal property. The rate of interest, premiums and conditions upon which loans are made shall be fixed by resolution of board of directors. Loans may be made on security of stock of association not to exceed 90 per cent of the withdrawal value of such stock without other security. 17-207 Wyoming Revised Statutes, 1931.

Members of domestic building and loan associations who default in payment of dues, interest or premiums, shall be subject to a fine of not exceeding 10 per cent on the total amount of their delinquency, not including any other fines. 17-303, Wyoming Revised Statutes, 1931.

Loans in domestic associations shall be made to the stockholders who shall bid the highest premiums for the right of precedence, in amount not to exceed the par value of their shares. If there is no bidding, and the by-laws so provide, loans may be made to non-members at not less than the legal rate of interest to be paid monthly. If real estate security is given for such non-member loans, it shall be worth at least double the amount of the loan. 17-304 Wyoming Revised Statutes, 1931.

Borrowers from domestic associations may repay their loans by depositing with the treasurer the full amount of the loan less the unearned premiums for the unexpired term of the loan, provided the premium was paid in advance. 17-305 Wyoming Revised Statutes, 1931.

BANKING

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